

**TOWN OF CONWAY,
NEW HAMPSHIRE**

ANNUAL FINANCIAL REPORT

**AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2020**

TOWN OF CONWAY, NEW HAMPSHIRE
ANNUAL FINANCIAL REPORT
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2020

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PLODZIK & SANDERSON

Professional Association/Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT

To the Members of the Board of Selectmen and Town Manager
Town of Conway
Conway, New Hampshire

We have audited the accompanying financial statements of the governmental activities, each major fund, and aggregate remaining fund information of the Town of Conway as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and aggregate remaining fund information of the Town of Conway, as of December 31, 2020, and the respective changes in financial position and, the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information – Accounting principles generally accepted in the United States of America require that the following be presented to supplement the basic financial statements:

- Management's Discussion and Analysis,
- Schedule of the Town's Proportionate Share of Net Pension Liability,
- Schedule of Town Contributions – Pensions,
- Schedule of the Town's Proportionate Share of the Net Other Postemployment Benefits Liability,

Town of Conway
Independent Auditor's Report

- Schedule of Town Contributions – Other Postemployment Benefits,
- Schedule of Changes in the Town's Total Other Postemployment Benefits Liability and Related Ratios, and
- Notes to the Required Supplementary Information

Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information - Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Conway's basic financial statements. The combining and individual fund schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and is also not a required part of the basic financial statements.

The combining and individual fund schedules and the Schedule of Expenditures of Federal Awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund schedules and the Schedule of Expenditures of Federal Awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 6, 2021 on our consideration of the Town of Conway's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Conway's internal control over financial reporting and compliance.

Sheryl A. Platt, CPA

October 6, 2021

PLODZIK & SANDERSON
Professional Association

TOWN OF CONWAY'S MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW OF THE FINANCIAL STATEMENTS

The management discussion and analysis is intended to provide supplementary information in addition to the basic financial statements by the audit firm.

Government-wide financial statements: The government-wide financial statements are designed to provide readers with a broad overview of the Town's finances, in a manner similar to a private sector business.

The statement of net position presents information on all the Town's assets, liabilities, deferred outflows of resources and deferred inflows of resources with the difference between these reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.

The statement of activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flow in future fiscal periods (e.g. uncollected taxes and earned but unused vacation leave).

Fund financial statements: A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town, like other governmental units, uses fund accounting to ensure and demonstrate compliance with finance related legal requirements. All of the funds of the Town are divided into two categories: governmental funds and fiduciary funds.

Governmental funds: Governmental fund statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and governmental fund statement of revenues, expenditures, and change in fund balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Town maintains eleven individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statements of revenues, expenditures, and changes in fund balances for the general fund which includes the expendable trust funds. Data from the other governmental funds are combined into a single, aggregate presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The Town adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for this fund to demonstrate compliance with the budget.

Fiduciary funds: Fiduciary funds are used to account for resources held for the benefit of parties outside of Town, including the capital reserve accounts for the school and the six precincts of Conway, as well as seven scholarship funds. Fiduciary funds and performance surety deposits held in escrow are not reflected in the government-wide financial statements, because the resources of those funds are not available to support the Town's own programs.

Current assets include cash, investments, taxes receivable and other receivables. Capital assets are buildings, building improvements, infrastructure and improvements, vehicles and equipment all net of depreciation. Land is included, yet not depreciated.

Comparative Statement of Capital Assets

	2020	2019	Change	% Change
At cost:				
Not being depreciated:				
Land	\$ 7,524,933	\$ 7,524,933	\$ -	0.00%
Construction in progress	501,563	280,574	220,989	78.76%
Total capital assets not being depreciated	<u>8,026,496</u>	<u>7,805,507</u>	<u>220,989</u>	<u>2.83%</u>
Being depreciated:				
Buildings and building improvements	7,405,424	7,171,436	233,988	3.26%
Machinery, equipment, and vehicles	6,082,568	5,885,949	196,619	3.34%
Infrastructure	18,767,657	18,767,657	-	0.00%
Total capital assets being depreciated	<u>32,255,649</u>	<u>31,825,042</u>	<u>430,607</u>	<u>1.35%</u>
Total all capital assets	<u>40,282,145</u>	<u>39,630,549</u>	<u>651,596</u>	<u>1.64%</u>
Less accumulated depreciation:				
Buildings and building improvements	(2,174,629)	(2,012,713)	(161,916)	8.04%
Machinery, equipment, and vehicles	(2,730,117)	(2,360,128)	(369,989)	15.68%
Infrastructure	(5,520,843)	(4,964,302)	(556,541)	11.21%
Total accumulated depreciation	<u>(10,425,589)</u>	<u>(9,337,143)</u>	<u>(1,088,446)</u>	<u>11.66%</u>
Net book value, capital assets being depreciated	<u>21,830,060</u>	<u>22,487,899</u>	<u>(657,839)</u>	<u>-2.93%</u>
Net book value, all capital assets	<u>\$ 29,856,556</u>	<u>\$ 30,293,406</u>	<u>\$(436,850)</u>	<u>-1.44%</u>

Long-term liabilities are bonds, notes and capital leases due in more than one year. The Town currently has no long-term debt. In addition to borrowing, long-term liabilities include compensated absences which are not expected to be paid within a year. Compensated absences are accumulated vacation and sick time which would be paid to employees on separation from the Town. The Town does not contribute to retirees' health insurance cost but, since active employees and retirees are rated together the rates for active employees are higher. This creates an implicit rate subsidy which is reported as OPEB (Other Post- Employment Benefits). Also included in long-term liabilities are the accrued landfill closure and post-closure care costs, as well as net pension liability.

Long-Term Liabilities

	<u>2020</u>	<u>2019</u>	<u>Change</u>	<u>% Change</u>
Capital Lease	\$ 60,998	\$ -	\$ 60,998	100.00%
Compensated absences	1,023,344	1,038,325	(14,981)	-1.44%
Accrued landfill closure and postclosure care	2,350,240	2,306,820	43,420	1.88%
Net pension liability	11,596,772	8,688,886	2,907,886	33.47%
Net other postemployment benefits	876,378	944,745	(68,367)	-7.24%
Total	<u>\$ 15,907,732</u>	<u>\$12,978,776</u>	<u>\$ 2,928,956</u>	<u>22.57%</u>

Net investment in capital assets are capital assets less accumulated depreciation and the debt outstanding on these assets. The restricted net position are the trust funds for perpetual care of cemetery plots, public library, Hubbard Davis Public Forest Reserve, grant funds and drug forfeiture funds.

STATEMENT OF NET POSITION

	<u>2020</u>	<u>2019</u>	<u>Change</u>	<u>% Change</u>
Current and other assets	\$9,219,143	\$8,244,670	\$ 974,473	11.82%
Capital assets, net of depreciation	<u>29,856,556</u>	<u>30,293,406</u>	<u>(436,850)</u>	<u>-1.44%</u>
Total assets	<u>39,075,699</u>	<u>38,538,076</u>	<u>537,623</u>	<u>1.40%</u>
Deferred outflows of resources	<u>2,772,304</u>	<u>939,920</u>	<u>1,832,384</u>	<u>194.95%</u>
Long-term liabilities outstanding	15,907,732	12,978,776	2,928,956	22.57%
Other liabilities	<u>568,780</u>	<u>512,218</u>	<u>56,562</u>	<u>11.04%</u>
Total Liabilities	<u>16,476,512</u>	<u>13,490,994</u>	<u>2,985,518</u>	<u>22.13%</u>
Deferred inflows of resources	<u>517,859</u>	<u>774,587</u>	<u>(256,728)</u>	<u>-33.14%</u>
Net investment in capital assets	29,795,558	30,293,406	(497,848)	1.64%
Restricted net position	588,226	598,418	(10,192)	-1.70%
Unrestricted net position	<u>(5,530,152)</u>	<u>(5,679,409)</u>	<u>149,257</u>	<u>-2.63%</u>
Total net position	<u>\$24,853,632</u>	<u>\$ 25,212,415</u>	<u>\$ (358,783)</u>	<u>-1.42%</u>

Comparative Statement of Activities

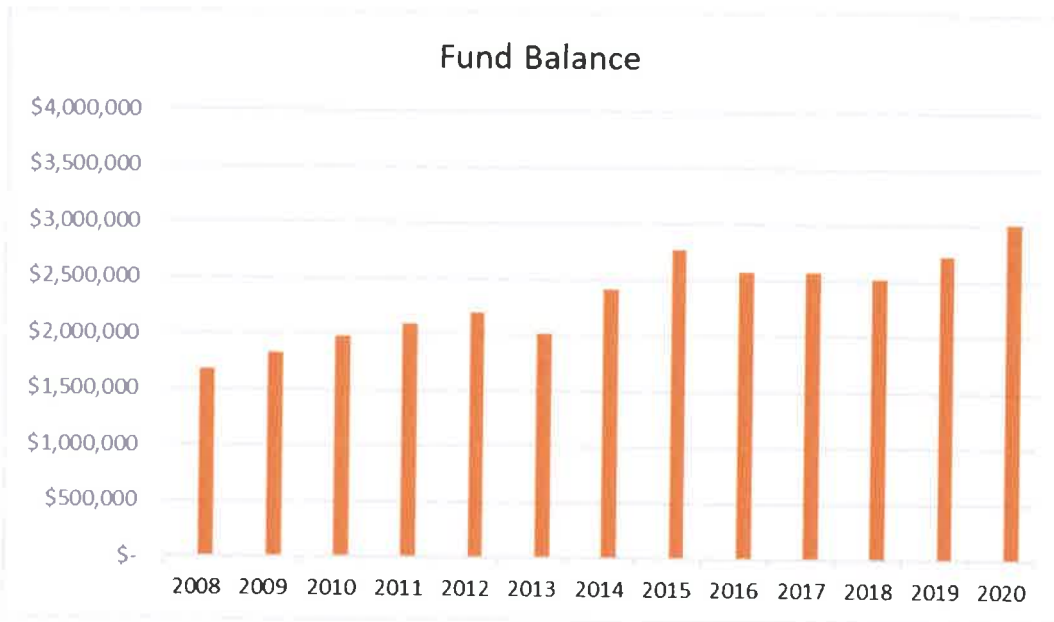
	<u>2020</u>	<u>2019</u>	<u>Change</u>	<u>% Change</u>
Expenses:				
General government	\$ 2,939,915	\$ 2,779,653	\$ 160,262	5.77%
Public safety	5,809,837	5,053,495	756,342	14.97%
Airport	-	10,000	(10,000)	-100.00%
Highways and streets	2,847,981	3,636,815	(788,834)	-21.69%
Sanitation	1,265,804	1,139,202	126,602	11.11%
Health	39,327	3,196	36,131	1130.51%
Welfare	203,718	244,791	(41,073)	-16.78%
Culture and recreation	1,205,550	1,258,696	(53,146)	-4.22%
Conservation	47,050	18,357	28,693	156.31%
Interest on short-term debt	4,317	980	3,337	340.51%
Total expenditures	<u>14,363,499</u>	<u>14,145,185</u>	<u>218,314</u>	<u>1.54%</u>
Program revenues:				
Charges for services	688,110	660,851	27,259	4.12%
Operating grants and contributions	727,969	405,324	322,645	79.60%
General revenues:				
Property taxes and other taxes	8,589,777	9,112,349	(522,572)	-5.73%
Motor vehicle permit fees	2,243,699	2,137,679	106,020	4.96%
Licenses and other fees	327,510	351,523	(24,013)	-6.83%
Grants and contributions not related to a specific program				
Unrestricted investment earnings	1,234,929	1,718,105	(483,176)	-28.12%
Miscellaneous	59,681	138,233	(78,552)	-56.83%
Miscellaneous	133,041	156,771	(23,730)	-15.14%
Total revenues	<u>14,004,716</u>	<u>14,680,835</u>	<u>(676,119)</u>	<u>-4.61%</u>
Beginning net position, as restated	25,212,415	24,676,765		
Ending net position	<u>24,853,632</u>	<u>25,212,415</u>		
Change in net position	<u>\$(358,783)</u>	<u>\$ 535,650</u>		

The first section of the Statement of Activities shows the relationship between expenses and offsetting revenues for various areas of Town government. The highway block grant is included in the operating budget's revenues. The fees charged by various departments for services are included in the charges for services. The lower section shows the categories of general revenues. Taxes and motor vehicle registrations are just that. The largest components of licenses and other fees are building permits and the cable television franchise fee.

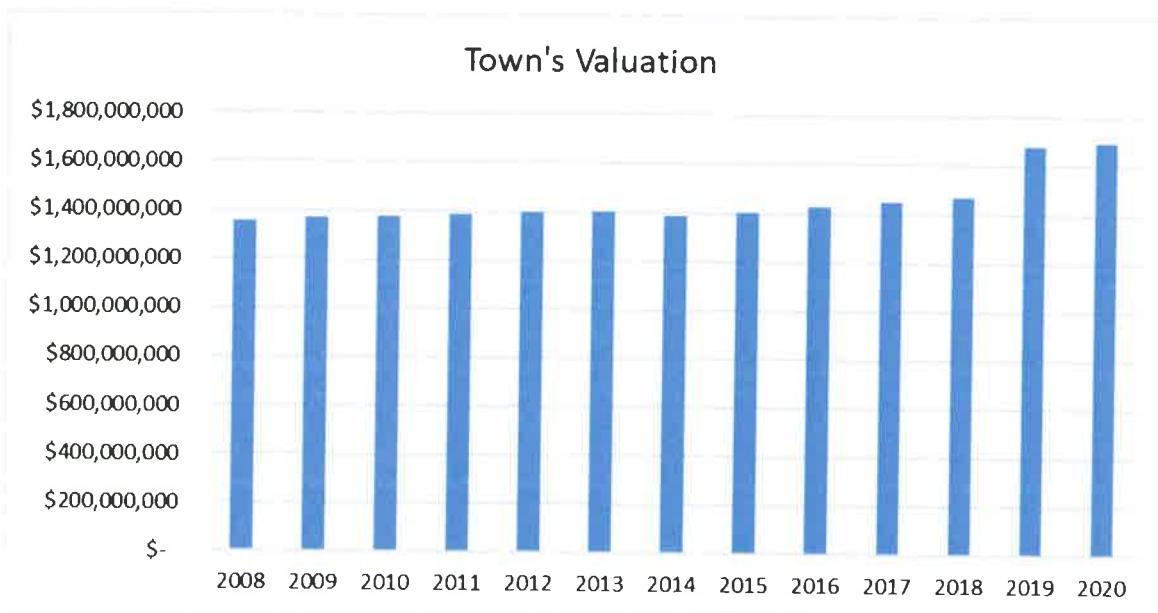
The year 2020 ended with an unassigned fund balance (non-GAAP budgetary basis) in the General Fund of \$3,010,264. The unassigned fund balance at the beginning of 2020 was \$2,730,664. For 2020 revenues exceeded estimates by \$534,894. Unexpended or unencumbered appropriations were \$661,885. For 2020, \$0 from fund balance was used to reduce taxes.

The Department of Revenue Administration and the Government Finance Officers Association recommend a retained fund balance of between 5% and 17% of the total of the town's appropriation, plus state and local education taxes, county taxes and precinct taxes. This total for 2020 was \$31,543,408. Therefore, the recommended amount to be retained is between \$1,576,720 and \$5,360,849. The Town's retained fund balance of \$3,010,264 is 9.5%.

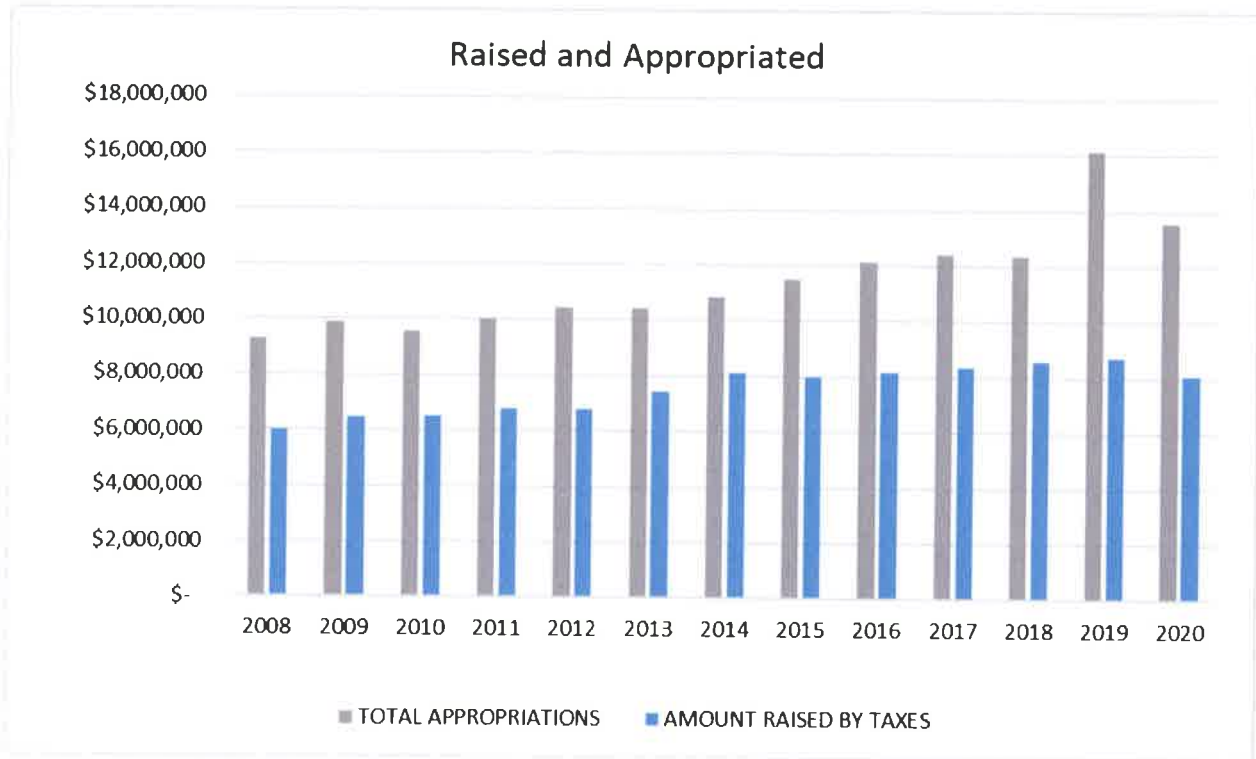
The following chart shows the change in unassigned fund balance over the past 13 years.



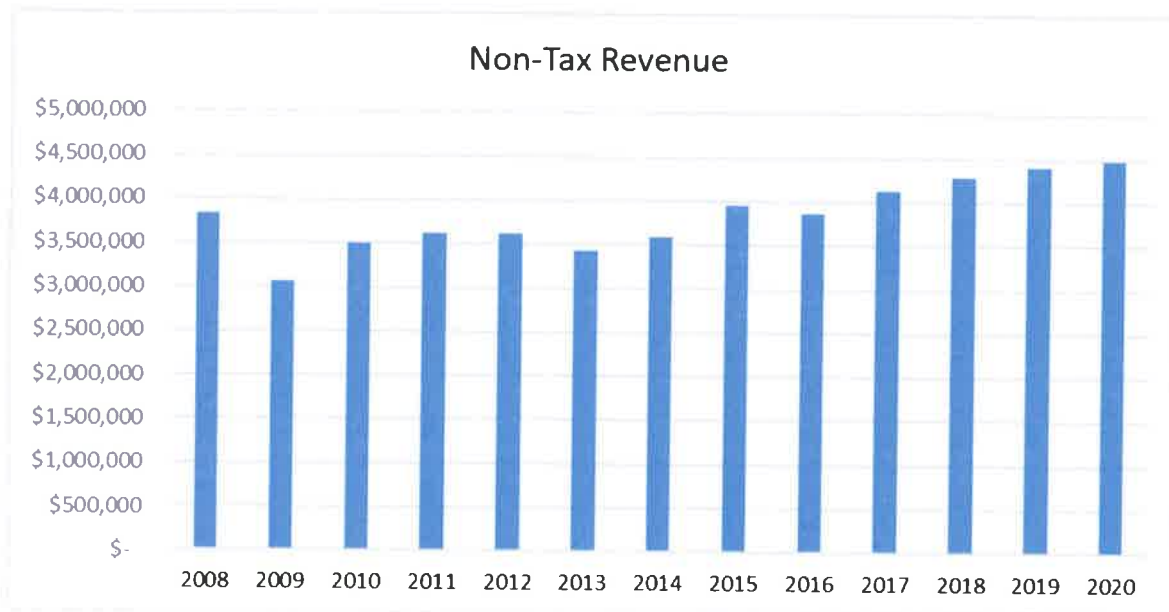
In the past 13 years the total net assessed value of the Town of Conway has increased 25% from \$1,354,679,413 to \$1,750,988,000. The increase in value of the Town has an impact on stabilizing the tax rate each year. The 13-year increase in value is shown in the chart below.



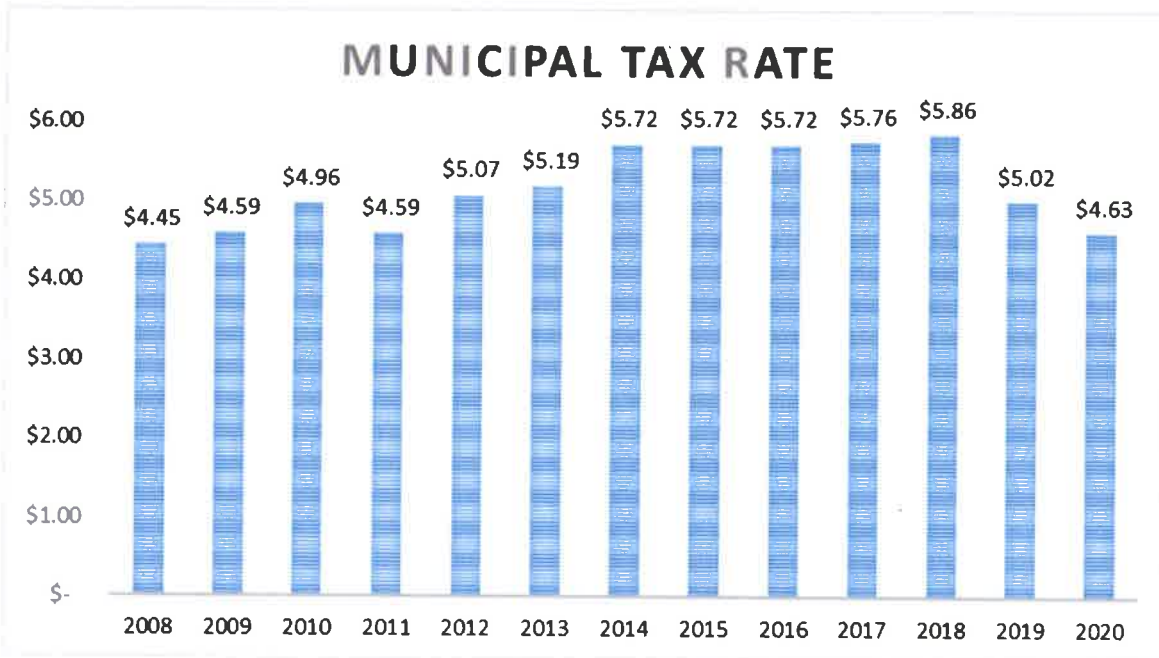
For the same period the relationship between total appropriations and the amount to be raised by taxes is shown in the chart below.



Non tax revenues started declining in 2008 and dropped off sharply in 2009. The sharp decline leveled off, and has now exceeded revenues by 16.77% over the level of a dozen years ago. The end result of 2020 was a 1.87% increase over 2019’s non-tax revenues.



The following chart shows the Municipal tax rate for the same 13-year period.



Below is a five-year summary of Conway's budget experience.

	2016	2017	2018	2019	2020
OPERATING BUDGET	10,176,162	10,480,725	11,078,998	11,467,504	11,753,889
WARRANT ARTICLES	2,019,187	1,687,420	4,287,367	1,888,001	1,168,209
NON PROFITS	204,281	205,885	215,636	219,055	216,860
TOTAL APPROPRIATIONS	12,399,630	12,374,031	15,582,001	13,574,560	13,138,958
AMOUNT RAISED BY TAXES	8,178,142	8,336,925	8,599,517	8,746,025	8,097,105
USE of Fund Balance	725,000	350,000	394,407	550,000	0
NON TAX REVENUES	3,868,427	4,135,831	7,076,035	4,402,987	4,485,431
MUNICIPAL TAX RATE	5.72	5.76	5.86	5.02	4.63
PERCENT RAISED BY TAXES	66%	67%	55%	64%	62%
VALUE FOR MUNICIPAL RATE	1,429,524,843	1,447,967,470	1,468,345,836	1,682,699,803	1,750,988,000
UNASSIGNED FUND BALANCE	2,542,050	2,576,444	2,522,696	2,730,664	3,010,264

For further information, please contact Kathleen Golding, Finance Director, at 447-3811 x 221.

BASIC FINANCIAL STATEMENTS

EXHIBIT A
TOWN OF CONWAY, NEW HAMPSHIRE
Statement of Net Position
December 31, 2020

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 4,483,695
Investments	654,052
Taxes receivables (net)	3,618,589
Account receivables (net)	43,367
Intergovernmental receivable	270,893
Tax dedeed property, subject to resale	148,547
Capital assets:	
Land and construction in progress	8,026,496
Other capital assets, net of depreciation	21,830,060
Total assets	39,075,699
DEFERRED OUTFLOWS OF RESOURCES	
Amounts related to pensions	2,719,740
Amounts related to other postemployment benefits	52,564
Total deferred outflows of resources	2,772,304
LIABILITIES	
Accounts payable	175,916
Accrued salaries and benefits	75,611
Contracts payable	161,314
Accrued interest payable	887
Intergovernmental payable	155,052
Long-term liabilities:	
Due within one year	122,154
Due in more than one year	15,785,578
Total liabilities	16,476,512
DEFERRED INFLOWS OF RESOURCES	
Unavailable revenue - property taxes	56,752
Unavailable revenue - grants	16,970
Amounts related to pensions	434,972
Amounts related to other postemployment benefits	9,165
Total deferred inflows of resources	517,859
NET POSITION	
Net investment in capital assets	29,795,558
Restricted	588,226
Unrestricted	(5,530,152)
Total net position	\$ 24,853,632

The Notes to the Basic Financial Statements are an integral part of this statement.

EXHIBIT B
TOWN OF CONWAY, NEW HAMPSHIRE
Statement of Activities
For the Fiscal Year Ended December 31, 2020

	Expenses	Program Revenues		Net (Expense) Revenue and Change In Net Position
		Charges for Services	Operating Grants and Contributions	
General government	\$ 2,939,915	\$ 51,963	\$ 34,088	\$ (2,853,864)
Public safety	5,809,837	81,855	293,068	(5,434,914)
Highways and streets	2,847,981	45,503	263,493	(2,538,985)
Sanitation	1,265,804	420,085	101,808	(743,911)
Health	39,327	-	-	(39,327)
Welfare	203,718	20,522	-	(183,196)
Culture and recreation	1,205,550	68,182	35,512	(1,101,856)
Conservation	47,050	-	-	(47,050)
Interest on short-term debt	4,317	-	-	(4,317)
Total governmental activities	<u>\$ 14,363,499</u>	<u>\$ 688,110</u>	<u>\$ 727,969</u>	<u>(12,947,420)</u>
General revenues:				
Taxes:				
Property				8,132,945
Other				456,832
Motor vehicle permit fees				2,243,699
Licenses and other fees				327,510
Grants and contributions not restricted to specific programs				1,234,929
Unrestricted investment earnings				59,681
Miscellaneous				133,041
Total general revenues				<u>12,588,637</u>
Change in net position				(358,783)
Net position, beginning				<u>25,212,415</u>
Net position, ending				<u>\$ 24,853,632</u>

The Notes to the Basic Financial Statements are an integral part of this statement.

EXHIBIT C-1
TOWN OF CONWAY, NEW HAMPSHIRE
Governmental Funds
Balance Sheet
December 31, 2020

	General	Local Public Agency Project	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 3,833,845	\$ -	\$ 649,850	\$ 4,483,695
Investments	-	-	654,052	654,052
Taxes receivable	3,710,589	-	-	3,710,589
Accounts receivable (net)	43,367	-	-	43,367
Intergovernmental receivable	59,998	161,314	49,581	270,893
Interfund receivable	121,602	-	500	122,102
Tax deeded property, subject to resale	148,547	-	-	148,547
Total assets	<u>\$ 7,917,948</u>	<u>\$ 161,314</u>	<u>\$ 1,353,983</u>	<u>\$ 9,433,245</u>
LIABILITIES				
Accounts payable	\$ 169,519	\$ -	\$ 6,397	\$ 175,916
Accrued salaries and benefits	75,611	-	-	75,611
Contracts payable	-	161,314	-	161,314
Intergovernmental payable	155,052	-	-	155,052
Interfund payable	500	-	121,602	122,102
Total liabilities	<u>400,682</u>	<u>161,314</u>	<u>127,999</u>	<u>689,995</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - Property taxes	405,465	-	-	405,465
Unavailable revenue - Grants and donations	-	-	16,970	16,970
Total deferred inflows of resources	<u>405,465</u>	<u>-</u>	<u>16,970</u>	<u>422,435</u>
FUND BALANCES				
Nonspendable	148,547	-	75,209	223,756
Restricted	-	-	513,017	513,017
Committed	4,209,703	-	620,788	4,830,491
Unassigned	2,753,551	-	-	2,753,551
Total fund balances	<u>7,111,801</u>	<u>-</u>	<u>1,209,014</u>	<u>8,320,815</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 7,917,948</u>	<u>\$ 161,314</u>	<u>\$ 1,353,983</u>	<u>\$ 9,433,245</u>

The Notes to the Basic Financial Statements are an integral part of this statement.

EXHIBIT C-2
TOWN OF CONWAY, NEW HAMPSHIRE
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Position
December 31, 2020

Amounts reported for governmental activities in the Statement of Net Position are different because:		
Total fund balances of governmental funds (Exhibit C-1)	\$	8,320,815
Capital assets used in governmental activities are not current financial resources, therefore, are not reported in the governmental funds.		
Cost	\$	40,282,145
Less accumulated depreciation		<u>(10,425,589)</u>
		29,856,556
Pension and other postemployment benefit (OPEB) related deferred outflows of resources and deferred inflows of resources are not due and payable in the current year, and therefore, are not reported in the governmental funds as follows:		
Deferred outflows of resources related to pensions	\$	2,719,740
Deferred inflows of resources related to pensions		(434,972)
Deferred outflows of resources related to OPEB		52,564
Deferred inflows of resources related to OPEB		<u>(9,165)</u>
		2,328,167
Interfund receivables and payables between governmental funds are eliminated on the Statement of Net Position.		
Receivables	\$	(122,102)
Payables		<u>122,102</u>
		-
Property taxes are recognized on an accrual basis in the Statement of Net Position and on a modified accrual basis in the governmental funds.		
Deferred inflows of resources - property taxes	\$	348,713
Allowance for uncollectible property taxes		<u>(92,000)</u>
		256,713
Interest on long-term debt is not accrued in governmental funds.		
Accrued interest payable		(887)
Long-term liabilities are not due and payable in the current period, therefore, are not reported in the governmental funds.		
Capital lease	\$	60,998
Compensated absences		1,023,344
Accrued landfill closure and postclosure care costs		2,350,240
Net pension liability		11,596,772
Other postemployment benefits		<u>876,378</u>
		(15,907,732)
Net position of governmental activities (Exhibit A)	\$	<u><u>24,853,632</u></u>

EXHIBIT C-3
TOWN OF CONWAY, NEW HAMPSHIRE
Governmental Funds
Statement of Revenues, Expenditures, and Changes in Fund Balances
For the Fiscal Year Ended December 31, 2020

	General	Local Public Agency Project	Other Governmental Funds	Total Governmental Funds
REVENUES				
Taxes	\$ 8,610,131	\$ -	\$ 91,728	\$ 8,701,859
Licenses and permits	2,571,209	-	-	2,571,209
Intergovernmental	1,535,846	198,890	228,162	1,962,898
Charges for services	397,058	-	291,052	688,110
Miscellaneous	119,297	-	73,425	192,722
Total revenues	<u>13,233,541</u>	<u>198,890</u>	<u>684,367</u>	<u>14,116,798</u>
EXPENDITURES				
Current:				
General government	2,711,122	-	3,240	2,714,362
Public safety	5,141,701	-	286,599	5,428,300
Highways and streets	2,157,837	-	-	2,157,837
Sanitation	942,135	-	120,463	1,062,598
Health	39,327	-	-	39,327
Welfare	206,176	-	-	206,176
Culture and recreation	1,035,530	-	53,191	1,088,721
Conservation	15,050	-	32,000	47,050
Debt service:				
Interest	4,317	-	-	4,317
Capital outlay	242,058	198,890	-	440,948
Total expenditures	<u>12,495,253</u>	<u>198,890</u>	<u>495,493</u>	<u>13,189,636</u>
Excess of revenues over expenditures	<u>738,288</u>	<u>-</u>	<u>188,874</u>	<u>927,162</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	50,399	-	-	50,399
Transfers out	-	-	(50,399)	(50,399)
Capital lease	77,799	-	-	77,799
Total other financing sources (uses)	<u>128,198</u>	<u>-</u>	<u>(50,399)</u>	<u>77,799</u>
Net change in fund balances	866,486	-	138,475	1,004,961
Fund balances, beginning	6,245,315	-	1,070,539	7,315,854
Fund balances, ending	<u>\$ 7,111,801</u>	<u>\$ -</u>	<u>\$ 1,209,014</u>	<u>\$ 8,320,815</u>

The Notes to the Basic Financial Statements are an integral part of this statement.

EXHIBIT C-4
TOWN OF CONWAY, NEW HAMPSHIRE
Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balances - Governmental Funds to the Statement of Activities
For the Fiscal Year Ended December 31, 2020

Net change in fund balances of governmental funds (Exhibit C-3)		\$ 1,004,961
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report capital outlays as expenditures, while governmental activities report depreciation expense to allocate those expenditures over the life of the assets. Depreciation expense exceeded capital outlay expenditures in the current year, as follows:		
Capitalized capital outlay	\$ 716,596	
Depreciation expense	<u>(1,140,446)</u>	(423,850)
The net effect of various miscellaneous transactions involving capital assets (i.e., sales and donations) is to decrease net position.		(13,000)
Transfers in and out between governmental funds are eliminated on the Statement of Activities.		
Transfers in	\$ (50,399)	
Transfers out	<u>50,399</u>	-
Revenue in the Statement of Activities that does not provide current financial resources is not reported as revenue in the governmental funds.		
Change in deferred tax revenue	\$ (140,082)	
Change in allowance for uncollectible property taxes	<u>28,000</u>	(112,082)
Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.		
Inception of capital lease	\$ (77,799)	
Repayment of capital lease	<u>16,801</u>	(60,998)
Some expenses reported in the Statement of Activities do not require the use of current financial resources, and therefore, are not reported as expenditures in governmental funds.		
Increase in accrued interest expense	\$ (887)	
Net decrease in compensated absences payable	14,981	
Increase in accrued landfill postclosure care costs	(43,420)	
Net change in net pension liability, and deferred outflows and inflows of resources related to pensions	(804,425)	
Net change in net other postemployment benefits liability and deferred outflows and inflows of resources related to other postemployment benefits	<u>79,937</u>	(753,814)
Changes in net position of governmental activities (Exhibit B)		<u>\$ (358,783)</u>

The Notes to the Basic Financial Statements are an integral part of this statement.

EXHIBIT D
TOWN OF CONWAY, NEW HAMPSHIRE
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual (Non-GAAP Budgetary Basis)
General Fund
For the Fiscal Year Ended December 31, 2020

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
REVENUES				
Taxes	\$ 8,257,221	\$ 8,257,221	\$ 8,498,049	\$ 240,828
Licenses and permits	2,338,678	2,338,678	2,571,209	232,531
Intergovernmental	1,209,264	1,541,167	1,535,846	(5,321)
Charges for services	369,000	369,000	397,058	28,058
Miscellaneous	54,795	59,795	98,593	38,798
Total revenues	<u>12,228,958</u>	<u>12,565,861</u>	<u>13,100,755</u>	<u>534,894</u>
EXPENDITURES				
Current:				
General government	2,487,762	2,483,762	2,318,738	165,024
Public safety	4,871,383	5,209,969	5,141,701	68,268
Highways and streets	3,099,120	2,349,120	1,990,930	358,190
Sanitation	934,868	934,868	942,135	(7,267)
Health	39,515	39,515	39,327	188
Welfare	220,082	220,082	206,176	13,906
Culture and recreation	1,096,628	1,096,628	1,035,530	61,098
Conservation	17,600	17,600	15,050	2,550
Debt service:				
Interest	4,317	4,317	4,317	-
Capital outlay	100,000	850,000	850,072	(72)
Total expenditures	<u>12,871,275</u>	<u>13,205,861</u>	<u>12,543,976</u>	<u>661,885</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(642,317)</u>	<u>(640,000)</u>	<u>556,779</u>	<u>1,196,779</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	50,399	50,399
Transfers out	(270,000)	(270,000)	(270,000)	-
Total other financing sources (uses)	<u>(270,000)</u>	<u>(270,000)</u>	<u>(219,601)</u>	<u>50,399</u>
Net change in fund balances	<u>\$ (912,317)</u>	<u>\$ (910,000)</u>	337,178	<u>\$ 1,247,178</u>
Increase in nonspendable fund balance			(57,578)	
Unassigned fund balance, beginning			<u>2,730,664</u>	
Unassigned fund balance, ending			<u>\$ 3,010,264</u>	

The Notes to the Basic Financial Statements are an integral part of this statement.

EXHIBIT E-1
TOWN OF CONWAY, NEW HAMPSHIRE
Fiduciary Funds
Statement of Fiduciary Net Position
December 31, 2020

	Private Purpose Trust Funds	All Custodial Funds
ASSETS		
Cash and cash equivalents	\$ 175,271	\$ 13,108,333
Investments	-	242,513
Taxes receivable	-	1,446,577
Total assets	<u>175,271</u>	<u>14,797,423</u>
LIABILITIES		
Intergovernmental payables:		
School	-	<u>7,367,220</u>
NET POSITION		
Restricted	<u>\$ 175,271</u>	<u>\$ 7,430,203</u>

The Notes to the Basic Financial Statements are an integral part of this statement.

EXHIBIT E-2
TOWN OF CONWAY, NEW HAMPSHIRE
Fiduciary Funds
Statement of Changes in Fiduciary Net Position
For the Fiscal Year Ended December 31, 2020

	Private Purpose Trust Funds	All Custodial Funds
ADDITIONS		
Contributions	\$ 6,380	\$ 1,406,671
Investment earnings	968	33,131
Tax collections for other governments	-	23,446,303
Total additions	<u>7,348</u>	<u>24,886,105</u>
DEDUCTIONS		
Scholarships	8,000	-
Administrative expenses	-	958,068
Payments of taxes to other governments	-	23,446,303
Payments for escrow purposes	-	313,027
Total deductions	<u>8,000</u>	<u>24,717,398</u>
Change in net position	(652)	168,707
Net position, beginning	175,923	7,261,496
Net position, ending	<u>\$ 175,271</u>	<u>\$ 7,430,203</u>

The Notes to the Basic Financial Statements are an integral part of this statement.

TOWN OF CONWAY, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2020

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AS OF AND FOR THE FISCAL YEAR ENDED
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TOWN OF CONWAY, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Town of Conway, New Hampshire (the Town), have been prepared in conformity with U.S. Generally Accepted Accounting Principles (GAAP) for governmental units as prescribed by the Governmental Accounting Standards Board (GASB) and other authoritative sources.

The more significant of the Town’s accounting policies are described below.

1-A Reporting Entity

The Town of Conway is a municipal corporation governed by an elected 5-member Board of Selectmen and Town Manager. In evaluating how to define the Town for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity is made by applying the criteria set forth by the GASB. The Town has no component units to include in its reporting entity.

1-B Basis of Accounting and Measurement Focus

The accounts of the Town are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund equity, revenues, and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Government-wide Financial Statements – The Town’s government-wide financial statements include a Statement of Net Position and a Statement of Activities. These statements present summaries of governmental activities for the Town accompanied by a total column. Fiduciary activities of the Town are not included in these statements.

These statements are presented on an “economic resources” measurement focus and the accrual basis of accounting. Accordingly, all of the Town’s assets, deferred outflows of resources, liabilities, and deferred inflows of resources, including capital assets and long-term liabilities, are included in the accompanying Statement of Net Position. The Statement of Activities presents changes in net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred, regardless of the timing of related cash flows. The types of transactions reported as program revenues for the Town are reported in two categories: 1) charges for services and 2) operating grants and contributions.

Certain eliminations have been made to interfund activities, payables, and receivables. All internal balances in the Statement of Net Position have been eliminated.

Governmental Fund Financial Statements – Include a balance sheet and a Statement of Revenues, Expenditures, and Changes in Fund Balances for all major governmental funds and nonmajor funds aggregated. An accompanying statement is presented to reconcile and explain the differences in fund balances and changes in fund balances as presented in these statements to the net position and changes in net position presented in the government-wide financial statements. The Town has presented all major funds that met those qualifications.

Governmental fund financial statements are reported using the *current financial resources* measurement focus and the *modified accrual basis* of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Town generally considers revenues to be available if they are collected within 60 days of the end of the current fiscal period, with the exception of reimbursement-based grants, which use a period of one year. Property taxes, licenses, and permits, intergovernmental revenue, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met. All other revenue items are considered to be measurable and available only when cash is received by the government.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

TOWN OF CONWAY, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2020

The Town reports the following major governmental funds:

General Fund – is the Town’s primary operating fund. The general fund accounts for all financial resources except those required to be accounted for in another fund. The primary revenue sources include property taxes, State grants and motor vehicle permit fees. The primary expenditures are for general government, public safety, highways and streets, sanitation, culture and recreation, debt service and capital outlay. Under GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, guidance the expendable trust funds are consolidated in the general fund.

Capital Project Fund (Local Public Agency Project Fund) – the Town of Conway was designated the *Local Public Agency* in charge of managing all aspects of the reconstruction of Route 16/Route 113 in Conway, running approximately from the railroad tracks near the Kancamagus Highway to Pollard Street. The water lines underneath the roadway are to be replaced, the underground utilities to be relocated, new drainage will be installed, the sidewalks and curbing are to be reconstructed, the roadway is to be reengineered and reconstructed, and both sets of lights are to be replaced. The project was given a notice to proceed on January 26, 2016. All of the costs of the project are to be paid by the Town of Conway under the Federal Highway guidelines with the NH DOT reimbursing Conway monthly. Both the Public Works Director and the Finance Director are required to be *Local Public Agency Certified*.

Additionally, the Town reports the following fund types:

Special Revenue Funds – are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

Permanent Fund – are held in the custody of the Trustees of Trust Funds and are used to account for resources held in trust for use by the Town. These can include legal trusts for which the interest on the corpus provides funds for the Town’s cemetery operations.

All the governmental funds not meeting the criteria established for major funds are presented in the other governmental column of the fund financial statements. The Town reports nine nonmajor governmental funds.

Fiduciary Fund Financial Statements – Include a Statement of Fiduciary Net Position and a Statement of Changes in Fiduciary Net Position. The Town’s fiduciary funds are private purpose trust and custodial funds, which are custodial in nature. These funds are accounted for on a spending or “economic resources” measurement focus and the accrual basis of accounting.

The Town reports the following fiduciary funds:

Private Purpose Trust Fund – are used to report trust arrangements, other than pension and investment trusts, under which principal and income benefit individuals, private organizations, or other governments.

Custodial Fund – are custodial in nature and do not belong to the primary government. A custodial fund is used to account for assets held on behalf of outside parties, including other governments.

1-C Cash and Cash Equivalents

The Town considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. Deposits with financial institutions consist primarily of demand deposits and savings accounts.

The treasurer is required to deposit such moneys in solvent banks in state or the Public Deposit Investment Pool pursuant to New Hampshire RSA 383:22. Funds may be deposited in banks outside of the state if such banks pledge and deliver to a third party custodial bank or the Federal Reserve Bank, collateral security for such deposits, United States government or government agency obligations or obligations to the State of New Hampshire in value at least equal to the amount of the deposit in each case.

1-D Investments

State statutes place certain limitations on the nature of deposits and investments available as follows:

New Hampshire law authorizes the Town to invest in the following type of obligations:

- Obligations of the United States government,
- The public deposit investment pool established pursuant to RSA 383:22,

TOWN OF CONWAY, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2020

- Savings bank deposits,
- Certificates of deposit and repurchase agreements of banks incorporated under the laws of the State of New Hampshire or in banks recognized by the State treasurer.

Any person who directly or indirectly receives any such funds or moneys for deposit or for investment in securities of any kind shall, prior to acceptance of such funds, make available at the time of such deposit or investment an option to have such funds secured by collateral having a value at least equal to the amount of such funds. Such collateral shall be segregated for the exclusive benefit of the Town. Only securities defined by the bank commissioner as provided by rules adopted pursuant to RSA 386:57 shall be eligible to be pledged as collateral.

Fair Value Measurements of Investments – In accordance with GASB Statement No. 72, *Fair Value Measurement and Application*, except for investments measured using net asset value (NAV) as a practical expedient to estimate fair value, the Town categorizes the fair value measurements of its investments within the fair value hierarchy established by US GAAP. The fair value hierarchy categorizes the inputs to valuation techniques used for fair value measurement into three levels as follows:

Level 1 – Inputs reflect quoted prices (unadjusted) in active markets for identical assets or liabilities that the Town has the ability to access at the measurement date. Directly held marketable equity securities would be examples of Level 1 investments.

Level 2 – Inputs are other than quoted prices that are observable for the assets or liabilities, either directly or indirectly, including inputs in markets that are not considered to be active. Because they most often are priced on the basis of transactions involving similar but not identical securities or do not trade with sufficient frequency, certain directly held fixed income securities are categorized in Level 2.

Level 3 – Inputs are significant unobservable inputs.

The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs. In certain instances where the determination of the fair value measurement is based on inputs from different levels of the fair value hierarchy, is the level in the fair value hierarchy based on the lowest level of input that is significant to the fair value measurement. Investments are reported at fair value. If an investment is held directly by the Town and an active market with quoted prices exists, such as for domestic equity securities, the market price of an identical security is used to report fair value and is classified in Level 1. Corporate fixed income securities and certain governmental securities utilize pricing that may involve estimation using similar securities or trade dates and are classified in Level 2. Fair values for shares in registered mutual funds and exchange-traded funds are based on published share prices and classified in Level 1.

In determining fair value, the Town utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible.

Investments in Certain External Investment Pools – In accordance with GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*, the Town held investments with the New Hampshire Public Deposit Investment Pool (NHPDIP) are categorized as Level 2. The NHPDIP measures all of its investments at amortized cost. There are no redemption restrictions and shares may be redeemed by the Town in accordance with the NHPDIP's Information Statement.

1-E Receivables

Receivables recorded in the financial statements represent amounts due to the Town at December 31. They are aggregated into a single accounts receivable (net of allowance for uncollectibles) line for certain funds and aggregated columns. They consist primarily of taxes, billing for charges, and other user fees.

1-F Capital Assets

Capital assets include property, plant, and equipment, infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), and intangible assets (i.e., easements) which are reported in the government-wide financial statements. The accounting and reporting treatment applied to capital assets associated with a fund are determined by the fund's measurement focus. General capital assets are assets of the Town as a whole. When purchased, such assets are recorded as expenditures in a governmental fund and capitalized as assets in the government-wide Statement of Net Position.

TOWN OF CONWAY, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2020

Capital assets are defined by the Town as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are carried at historical cost or estimated historical cost. When the cost of the capital assets cannot be determined from available records, estimated historical cost is used. Donated capital assets received on or prior to June 15, 2015, are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 15, 2015, are recorded at acquisition value.

The costs of normal maintenance and repairs are charged to operations as incurred. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable.

Capital assets of the Town are depreciated using the straight-line method over the following estimated useful lives:

Capital Asset Classes:	<u>Years</u>
Buildings and building improvements	30-120
Machinery, equipment, and vehicles	15-20
Infrastructure	30-75

1-G Interfund Activities

Interfund activities are reported as follows:

Interfund Receivables and Payables – Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as “due to/from other funds.” Interfund receivables and payables between funds are eliminated in the Statement of Net Position.

Interfund Transfers – Interfund transfers represent flows of assets without equivalent flows of assets in return and without a requirement for repayment. In governmental funds, transfers are reported as other financing uses in the funds making the transfers and other financing sources in the funds receiving the transfers. In the government-wide financial statements, all interfund transfers between individual governmental funds have been eliminated.

1-H Property Taxes

Property tax billings occur semi-annually and are based on the assessed inventory values as of April 1 of each year in accordance with RSA 76:15-a, *Semi-Annual Collection of Taxes in certain Towns and Cities*. Warrants for the year were issued on May 20, 2020, and December 1, 2020, and due on July 1, 2020, and January 7, 2021. Interest accrues at a rate of 8% on bills outstanding after the due date and 14% on tax liens outstanding. The Town placed a lien on all outstanding taxes from 2019 on May 15, 2020.

In connection with the setting of the tax rate, Town officials with the approval of the Department of Revenue Administration, establish and raise through taxation an amount for tax abatement and refunds, known as overlay. This amount is reported as a reduction in tax revenue and is adjusted by management for any reserve for uncollectable at year-end. The property taxes collected by the Town include taxes levied for the State of New Hampshire, Conway School District, several local precincts and districts as listed out below, and Carroll County, which are remitted to these entities as required by law.

The Town net assessed valuation as of April 1, 2020, utilized in the setting of the tax rate was as follows:

For the New Hampshire education tax	\$ 1,697,953,400
For all other taxes	\$ 1,750,988,000

TOWN OF CONWAY, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2020

The tax rates and amounts assessed for the year ended December 31, 2020, were as follows:

	Per \$1,000 of Assessed Valuation	Property Taxes Assessed
Municipal portion	\$4.63	\$ 8,097,105
School portion:		
State of New Hampshire	\$1.95	3,313,297
Local	\$8.54	14,953,923
County portion	\$1.20	2,108,382
Total municipal portion		28,472,707
Precinct portions:		
Center Conway Fire	\$1.07	287,997
Conway Village Fire	\$2.04	488,524
East Conway Fire	\$1.55	57,983
Fire Assessment	\$1.02	403,359
Kearsarge Lighting	\$0.57	64,501
North Conway Water	\$2.35	1,692,308
Redstone Fire	\$0.85	76,029
Total precinct portion		3,070,701
Total		\$ 31,543,408

1-I Accounts Payable

Accounts payable represent the gross amount of expenditures or expenses incurred as a result of normal operations, but for which no actual payment has yet been issued to vendors/providers as of December 31, 2020.

1-J Deferred Outflows/Inflows of Resources

Deferred outflows of resources, a separate financial statement element, represents a consumption of net position or fund balance that applies to a future period(s) and thus will not be recognized as an outflow of resources (expenses) until then.

Deferred inflows of resources, a separate financial statement element, represents an acquisition of net position or fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

1-K Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities.

1-L Compensated Absences

The Town's policy allows certain employees to earn varying amounts of vacation and sick pay based on the employee's length of employment. Upon separation from service, employees are paid in full for any accrued leave earned as set forth by the Town's personnel policy. The liability for such leave is reported as incurred in the government-wide financial statements. A liability for those amounts is recorded in the governmental funds only if the liability has matured as a result of employee resignations or retirements.

1-M Defined Benefit Pension Plan

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date* and GASB Statement No. 82 *Pension Issues – an amendment of GASB Statement No. 67, No. 68 and No. 73* requires participating

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employers to recognize their proportionate share of collective net pension liability, deferred outflows of resources, deferred inflows of resources, and pension expense, and schedules have been prepared to provide employers with their calculated proportionate share of these amounts. The collective amounts have been allocated based on employer contributions during the respective fiscal years. Contributions from employers are recognized when legally due, based on statutory requirements.

The schedules prepared by New Hampshire Retirement System, and audited by the plan's independent auditors, require management to make a number of estimates and assumptions related to the reported amounts. Due to the inherent nature and uncertainty of these estimates, actual results could differ, and the differences may be material.

1-N Postemployment Benefits Other Than Pensions

The Town maintains two separate other postemployment benefit plans (OPEB), as follows:

New Hampshire Retirement System Plan – For the purposes of measuring the total other postemployment benefit (OPEB) liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the New Hampshire Retirement System OPEB Plan (the plan) and additions to/deductions from the plan's fiduciary net position has been determined on the same basis as they are reported by the New Hampshire Retirement System. For this purpose, the plan recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except money market investments and participating interest earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

Single Employer Plan – For purposes of measuring the total OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information has been determined based on the Town's actuarial report. For this purpose, benefit payments are recognized when due and payable in accordance with benefit terms.

1-O Net Position/Fund Balances

Government-wide Statements – Equity is classified as net position and displayed in three components:

Net investment in capital assets – Consists of capital assets, net of accumulated depreciation, and reduced by the outstanding balances of any capital leases that are attributable to the acquisition, construction, or improvement of those assets.

Restricted net position – Results when constraints placed on net position use are either externally imposed by a third party (statutory, bond covenant, or granting agency) or are imposed by law through constitutional provisions or enabling legislation. The Town typically uses restricted assets first, as appropriate opportunities arise, but reserves the right to selectively defer the use until a further project.

Unrestricted net position – Consists of net position not meeting the definition of the preceding categories. Unrestricted net position is often subject to constraints imposed by management which can be removed or modified.

Fund Balance Classifications – GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, provides more clearly defined fund balance categories to make sure the nature and extent of the constraints placed on a government's fund balances are more transparent. The following classifications describe the relative strength of the spending constraints:

Nonspendable – Amounts that cannot be spent because they are either (a) not in spendable form (such as prepaid items, inventory, or tax deeded property subject to resale); or (b) are legally or contractually required to be maintained intact.

Restricted – Amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Committed – Amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the legislative body (Town Meeting). These amounts cannot be used for any other purpose unless the legislative body removes or changes the specified use by taking the same type of action that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.

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Assigned – Amounts that are constrained by the Town’s intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Board of Selectmen and Town Manager through the budgetary process.

Unassigned – Amounts that are available for any purpose. Positive amounts are reported only in the general fund.

When multiple net position/fund balance classifications are available for use, it is the government’s policy to utilize the most restricted balances first, then the next most restricted balance as needed. When components of unrestricted fund balance are used, committed fund balance is depleted first followed by assigned fund balance. Unassigned fund balance is applied last.

The Board will maintain an appropriate level of unassigned fund balance following the guidelines established by the NH Government Finance Officers Association (GFOA), which are as follows:

- A. 5% to 15% of regular general fund operating revenues, or
- B. 8% to 17% of regular general fund operating expenditures (including all payments to county, school, and precincts and districts).

1-P Use of Estimates

The financial statements and related disclosures are prepared in conformity with accounting principles generally accepted in the United States. Management is required to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, and deferred inflows of resources, the disclosure of contingent assets and liabilities at the date of the financial statements, and revenues and expenses during the period reported. These estimates include assessing the collectability of accounts and taxes receivables, and the useful lives and impairment of tangible and intangible capital assets, net pension liability, other postemployment benefit liability, deferred outflows and inflows of resources related to both pension and other postemployment benefits, and accrued landfill closure and postclosure care costs, among others. Estimates and assumptions are reviewed periodically, and the effects of revisions are reflected in the financial statements in the period they are determined to be necessary. Actual results could differ from estimates.

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

2-A Budgetary Information

General governmental revenues and expenditures accounted for in budgetary funds are controlled by a formal integrated budgetary accounting system in accordance with various legal requirements which govern the Town’s operations. At its annual meeting, the Town adopts a budget for the current year for the general fund. Except as reconciled below, the budget was adopted on a basis consistent with U.S. generally accepted accounting principles (GAAP).

Management may transfer appropriations between operating categories as deemed necessary, but expenditures may not legally exceed budgeted appropriations in total. All annual appropriations lapse at year-end unless encumbered.

Encumbrance accounting, under which purchase orders, contracts, and continuing appropriations (certain projects and specific items not fully expended at year-end) are recognized, is employed in the governmental funds. Encumbrances are not the equivalent of expenditures, and are therefore, reported as part of the assigned fund balance at year-end, and are carried forward to supplement appropriations of the subsequent year.

State statutes require balanced budgets but provide for the use of beginning unassigned fund balance to achieve that end. For the fiscal year 2020, none of the beginning general fund unassigned fund balance was applied for this purpose and \$910,000 was voted from unassigned fund balance to fund current year appropriations.

2-B Budgetary Reconciliation to GAAP Basis

While the Town reports financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual is presented for each major governmental fund which had a budget.

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Differences between the budgetary basis and GAAP basis of accounting for the general fund are as follows:

Revenues and other financing sources:	
Per Exhibit D (budgetary basis)	\$13,151,154
Adjustments:	
Basis difference:	
Inception of capital lease	77,799
GASB Statement No. 54:	
To record revenue of the blended funds	20,704
Change in deferred tax revenue relating to 60-day revenue recognition recognized as revenue on the GAAP basis, but not on the budgetary basis	140,082
Change in allowance for uncollectible property taxes	(28,000)
Per Exhibit C-3 (GAAP basis)	<u>\$13,361,739</u>
Expenditures and other financing uses:	
Per Exhibit (budgetary basis)	\$12,813,976
Adjustments:	
Basis differences:	
Inception of capital lease	77,799
Encumbrances, beginning	-
Encumbrances, ending	(827,900)
GASB Statement No. 54:	
To record expenditures of the blended funds during the year	701,378
To eliminate and recognize transfers between the general fund and blended funds	(270,000)
Per Exhibit C-3 (GAAP basis)	<u>\$12,495,253</u>

DETAILED NOTES ON ALL FUNDS

NOTE 3 – CASH AND CASH EQUIVALENTS

The Town's deposits are entirely covered by federal depository insurance (FDIC) or by collateral held by the Town's agent in the Town's name. The FDIC currently insures the first \$250,000 of the Town's deposits at each financial institution, per case custodian. Deposit balances over \$250,000 are insured by collateral. As of year-end, the carrying amount of the Town's deposits was \$17,767,299 and the bank balances totaled \$19,531,816. Petty cash totaled \$842.

Cash and cash equivalents reconciliation:

Cash per Statement of Net Position (Exhibit A)	\$ 4,483,695
Cash per Statement of Net Position - Fiduciary Fund (Exhibit E-1)	<u>13,283,604</u>
Total cash and cash equivalents	<u>\$ 17,767,299</u>

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NOTE 4 – INVESTMENTS

Note 1-D describes statutory requirements covering the investment of the Town funds. The Town holds investments that are measured at fair value on a recurring basis. Since investing is not a core part of the Town’s mission, the Town determines that the disclosures related to these investments only need to be disaggregated by major type. The Town categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles.

The Town has the following recurring cost and fair value measurements and maturities as of December 31, 2020:

	Valuation	Reported	Less Than 1	1-5 Years	Exempt from
	Measurement Method				
Investments type:					
Corporate bonds	Level 2	\$ 13,500	\$ -	\$ 13,500	\$ -
Equity exchange traded funds	Level 1	127,987	-	-	127,987
Fixed income exchange traded funds	Level 2	83,904	-	-	83,904
Fixed income mutual funds	Level 2	14,447	-	-	14,447
Municipal bonds	Level 2	10,177	10,177	-	-
Total fair value		<u>250,015</u>	<u>\$ 10,177</u>	<u>\$ 13,500</u>	<u>\$ 226,338</u>
Investments carried at amortized cost:					
NH Public Deposit Investment Pool		646,550			
		<u>\$ 896,565</u>			

Interest Rate Risk – This is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. In the case of general or operating funds, maturities shall not exceed one year from date of purchase. In all other cases, maturities will be varied to ensure sufficient liquidity to meet demands of the Town or other entities without incurring penalties and to minimize market risk.

Credit Risk - The Town’s formal investment policies do not directly address managing credit risk; however, state law limits investments as explained in Note 1-D. As of December 31, 2020, the Town’s investments instruments had the following ratings:

Investment Type	Reported Balance	Ratings*			Exempt from Disclosure
		Aaa	Aa1	Baa2	
Corporate bonds	\$ 13,500	\$ 2,555	\$ -	\$ 10,945	\$ -
Equity exchange traded funds	127,987	-	-	-	127,987
Fixed income exchange traded funds	83,904	-	-	-	83,904
Fixed income mutual funds	14,447	-	-	-	14,447
Municipal bonds	10,177	-	10,177	-	-
New Hampshire Public Deposit Investment Pool	646,550	-	-	-	646,550
	<u>\$ 896,565</u>	<u>\$ 2,555</u>	<u>\$ 10,177</u>	<u>\$ 10,945</u>	<u>\$ 872,888</u>

*Per Moody's

Custodial Credit Risk – This is the risk that in the event of the failure of the counterparty (e.g., broker/dealer) to honor a transaction, the Town will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Town’s investment policies do not directly address custodial credit risk policies for investments.

Concentration of Credit Risk – The Town places no limit on the amount it may invest in any one issuer. No individual investment in any one issuer exceeds the Town’s total investment balance at December 31, 2020.

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Investment reconciliation:

Investments per Statement of Net Position (Exhibit A)	\$ 654,052
Investments per Statement of Net Position - Fiduciary Funds (Exhibit E-1)	<u>242,513</u>
Total investments	<u><u>\$ 896,565</u></u>

NOTE 5 – TAXES RECEIVABLE

Taxes receivable represent the amount of current and prior year taxes which have not been collected as of December 31, 2020. The amount has been reduced by an allowance for an estimated uncollectible amount of \$92,000. Taxes receivable by year are as follows:

	As reported on:		
	Exhibit A	Exhibit C-1	Exhibit E-1
Property:			
Levy of 2020	\$ 3,086,599	\$ 3,086,599	\$ 1,446,577
Unredeemed (under tax lien):			
Levy of 2019	325,854	325,854	-
Levy of 2018	217,009	217,009	-
Levies of 2017 and prior	68,990	68,990	-
Land use change	12,137	12,137	-
Less: allowance for estimated uncollectible taxes	(92,000) *	-	-
Net taxes receivable	<u>\$ 3,618,589</u>	<u>\$ 3,710,589</u>	<u>\$ 1,446,577</u>

*The allowance for uncollectible property taxes is not recognized under the modified accrual basis of accounting (Exhibit C-1 and C-3) due to the 60-day rule as explained in Note 1-B. However, the allowance is recognized under the full accrual basis of accounting (Exhibits A and B).

NOTE 6 – OTHER RECEIVABLES

Receivables at December 31, 2020, consisted of accounts (billings for police details and other user charges) and intergovernmental amounts arising from grants. Receivables are recorded on the Town's financial statements to the extent that the amounts are determined to be material and substantiated not only by supporting documentation, but also by a reasonable, systematic method of determining their existence, completeness, valuation, and collectability.

Receivables as of December 31, 2020 for the Town's individual major funds and nonmajor funds in the aggregate including applicable allowances for uncollectible accounts are as follows:

	General Fund	Local Public Agency Project	Nonmajor Funds	Total
Receivables:				
Accounts	\$ 43,469	\$ -	\$ -	\$ 43,469
Intergovernmental	59,998	161,314	49,581	270,893
Gross receivables	<u>103,467</u>	<u>161,314</u>	<u>49,581</u>	<u>314,362</u>
Less: allowance for uncollectibles	(102)	-	-	(102)
Net total receivables	<u>\$ 103,365</u>	<u>\$ 161,314</u>	<u>\$ 49,581</u>	<u>\$ 314,260</u>

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NOTE 7 – CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2020 is as follows:

	Balance, beginning	Additions	Deletions	Balance, ending
At cost:				
Not being depreciated:				
Land	\$ 7,524,933	\$ -	\$ -	\$ 7,524,933
Construction in progress	280,574	220,989	-	501,563
Total capital assets not being depreciated	<u>7,805,507</u>	<u>220,989</u>	<u>-</u>	<u>8,026,496</u>
Being depreciated:				
Buildings and building improvements	7,171,436	233,988	-	7,405,424
Machinery, equipment, and vehicles	5,885,949	261,619	(65,000)	6,082,568
Infrastructure	18,767,657	-	-	18,767,657
Total capital assets being depreciated	<u>31,825,042</u>	<u>495,607</u>	<u>(65,000)</u>	<u>32,255,649</u>
Total all capital assets	<u>39,630,549</u>	<u>716,596</u>	<u>(65,000)</u>	<u>40,282,145</u>
Less accumulated depreciation:				
Buildings and building improvements	(2,012,713)	(161,916)	-	(2,174,629)
Machinery, equipment, and vehicles	(2,360,128)	(421,989)	52,000	(2,730,117)
Infrastructure	(4,964,302)	(556,541)	-	(5,520,843)
Total accumulated depreciation	<u>(9,337,143)</u>	<u>(1,140,446)</u>	<u>52,000</u>	<u>(10,425,589)</u>
Net book value, capital assets being depreciated	<u>22,487,899</u>	<u>(644,839)</u>	<u>(13,000)</u>	<u>21,830,060</u>
Net book value, all governmental activities capital assets	<u>\$ 30,293,406</u>	<u>\$ (423,850)</u>	<u>\$ (13,000)</u>	<u>\$ 29,856,556</u>

Depreciation expense was charged to functions of the Town based on their usage of the related assets. The amounts allocated to each function are as follows:

General government	\$ 25,123
Public safety	114,539
Highways and streets	791,756
Sanitation	120,316
Culture and recreation	88,712
Total depreciation expense	<u>\$ 1,140,446</u>

NOTE 8 – INTERFUND BALANCES AND TRANSFERS

Interfund Balances - The composition of interfund balances as of December 31, 2020 is as follows:

Receivable Fund	Payable Fund	Amount
General	Nonmajor	\$ 121,602
Nonmajor	General	500
		<u>\$ 122,102</u>

The outstanding balances among funds result mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

Interfund Transfers - The composition of interfund transfers for the year ended December 31, 2020 is as follows:

	Transfers In:
	General
	Fund
Transfers out:	
Nonmajor funds	<u>\$ 50,399</u>

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During the year, transfers are used to (1) move revenues from the fund with collection authority to the fund responsible for expenditure and (2) move general fund resources to provide an annual subsidy.

NOTE 9 – INTERGOVERNMENTAL PAYABLES

Amounts due to other governments of \$7,522,272 at December 31, 2020, consist of the following:

	General Fund	Fiduciary Funds
Miscellaneous fees due to the State of New Hampshire	\$ 3,331	\$ -
Balance due to the New Hampshire Retirement System	151,721	-
Taxes due to the Conway School District	-	7,367,220
Total intergovernmental payables due	<u>\$ 155,052</u>	<u>\$ 7,367,220</u>

NOTE 10 – DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

Deferred outflows of resources are as follows:

	Government- wide
Amounts related to pensions, see Note 14	\$ 2,719,740
Amounts related to OPEB, see Note 15	52,564
	<u>\$ 2,772,304</u>

Deferred inflows of resources are as follows:

	Government- wide	General Fund	Nonmajor Governmental Funds
Property taxes not collected within 60 days of the fiscal year-end	\$ -	\$ 348,713 *	\$ -
Property taxes collected in advance of commitment	56,752	56,752	-
Grants and donations in advance of eligible expenditures being made	16,970	-	16,970
Amounts related to pensions, see Note 14	434,972	-	-
Amounts related to OPEB, see Note 15	9,165	-	-
Total deferred inflows of resources	<u>\$ 517,859</u>	<u>\$ 405,465</u>	<u>\$ 16,970</u>

*Not recognized on the full accrual basis of accounting.

NOTE 11 – CAPITAL LEASE

The Town has entered into a capital lease agreement under which the related equipment will become the property of the Town when all the terms of the lease agreements is met.

	Standard Interest Rate	Present Value of Remaining Payments as of December 31, 2020
Capital lease obligations:		
2021 Freightliner Truck	3.99%	<u>\$ 60,998</u>

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Leased equipment under the capital lease, included in capital assets, is as follows:

	Governmental Activities
Equipment:	
2021 Freightliner Truck	\$ 77,799
Less: accumulated depreciation	5,187
Total capital lease equipment	\$ 72,612

The annual requirements to amortize the capital lease payable as of December 31, 2020, including interest payments, are as follows:

Fiscal Year Ending December 31,	Governmental Activities
2021	\$ 16,801
2022	16,801
2023	16,801
2024	16,801
Total requirements	67,204
Less: interest	6,206
Present value of remaining payments	\$ 60,998

Amortization of lease equipment under capital assets is included with depreciation expense.

NOTE 12 – SHORT-TERM DEBT

Changes in the Town’s short-term borrowings during the year ended December 31, 2020, consisted of the following:

Governmental Activities	Original Issue	Interest Rate	Balance January 1, 2020	Additions	Deletions	Balance December 31, 2020
Tax anticipation note	\$ 5,000,000	1.85%	\$ -	\$ 2,000,000	\$ (2,000,000)	\$ -

The purpose of the short-time borrowings was to provide for interim financing of general fund operations.

NOTE 13 – LONG-TERM LIABILITIES

Changes in the Town’s long-term liabilities consisted of the following for the year ended December 31, 2020:

	Balance January 1, 2020	Additions	Reductions	Balance December 31, 2020	Due Within One Year
Capital lease	\$ -	\$ 77,799	\$ (16,801)	\$ 60,998	\$ 14,367
Compensated absences	1,038,325	39,189	(54,170)	1,023,344	107,787
Accrued landfill closure and postclosure care costs	2,306,820	43,420	-	2,350,240	-
Net pension liability	8,688,886	2,907,886	-	11,596,772	-
Net other postemployment benefits	944,745	-	(68,367)	876,378	-
Total long-term liabilities	\$ 12,978,776	\$ 3,068,294	\$ (139,338)	\$ 15,907,732	\$ 122,154

All debt is general obligation debt of the Town, which is backed by its full faith and credit, and will be repaid from general governmental revenues.

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Accrued Landfill Closure and Postclosure Care Costs –Federal and State laws and regulations require that the Town place a final cover on its landfill when closed and perform certain maintenance and monitoring functions at the landfill site after closure. A liability is being recognized based on the future closure and postclosure care costs that will be incurred near or after the date the landfill no longer accepts waste. The recognition of these landfill closure and postclosure care costs is based on the amount of the landfill used through the end of the year. The estimated liability for landfill closure and postclosure care costs has a balance of \$2,350,240 as of December 31, 2020, which is based on 44% usage (filled) of the landfill. It is estimated that an additional \$2,171,000 will be recognized as closure and postclosure care costs between the date of the Balance Sheet and the date the landfill is expected to be filled to capacity (2068). The estimated total current cost of the landfill closure and postclosure care is based on the amount that would be paid if all equipment, facilities, and services required to close, monitor, and maintain the landfill were acquired as of December 31, 2020. However, the actual cost of closure and postclosure care may be higher or lower due to inflation, changes in technology, or changes in landfill laws and regulations.

The State of New Hampshire Department of Environmental Services requires that all entities which received licensing for landfills since 1991 meet general financial assurance requirements. The Town has established a capital reserve fund for landfill closure and postclosure care costs. The balance of this capital reserve was \$1,877,863 at December 31, 2020.

NOTE 14 – DEFINED BENEFIT PENSION PLAN

Plan Description – The New Hampshire Retirement System (NHRS or the System) is a public employee retirement system that administers a cost-sharing multiple-employer defined benefit pension plan (Pension Plan), a component unit of the State of New Hampshire, as defined in Governmental Accounting Standards Board (GASB) Statement No. 67, *Financial Reporting for Pension Plans* – an amendment of GASB Statement No. 25. The Pension Plan was established in 1967 by RSA 100-A:2 and is qualified as a tax-exempt organization under Sections 401(a) and 501(a) of the Internal Revenue Code. The Pension Plan is a contributory, defined benefit plan providing service, disability, death and vested retirement benefits to members and their beneficiaries. Substantially all full-time State employees, public school teachers and administrators, permanent firefighters and permanent police officers within the State are eligible and required to participate in the Pension Plan. The System issues a publicly available financial report that may be obtained by writing the New Hampshire Retirement System, 54 Regional Drive, Concord, NH 03301.

Benefits Provided – Benefit formulas and eligibility requirements for the Pension Plan are set by state law (RSA 100-A). The Pension Plan is divided into two membership groups. State and local employees and teachers belong to Group I. Police and firefighters belong to Group II.

Group I benefits are provided based on creditable service and average final salary for the highest of either three or five years, depending on when service commenced.

Group II benefits are provided based on age, years of creditable service and benefit multiplier depending on vesting status as of 1/1/12. The maximum retirement allowance for Group II members vested by 1/1/12 (45 years of age with 20 years of service or age 60 regardless of years of creditable service) is the average final compensation multiplied by 2.5% multiplied by creditable service. For Group II members not vested by 1/1/12 the benefit is calculated the same way, but the multiplier used in the calculation will change depending on age and years of creditable service as follows:

Years of Creditable Service as of 1/1/12	Minimum Age	Minimum Service	Benefit Multiplier
At least 8 but less than 10 years	46	21	2.4%
At least 6 but less than 8 years	47	22	2.3%
At least 4 but less than 6 years	48	23	2.2%
Less than 4 years	49	24	2.1%

Members of both groups may qualify for vested deferred allowances, disability allowances and death benefit allowances, subject to meeting various eligibility requirements. Benefits are based on AFC or earnable compensation and/or service.

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Contributions - The System is financed by contributions from both the employees and the Town. Member contribution rates are established and may be amended by the State legislature while employer contribution rates are set by the System trustees based on an actuarial valuation. Group I (employee and teacher) members are required to contribute 7% of earnable compensation and Group II (police and fire) members contribute 11.55% and 11.80% respectively. For fiscal year 2020, the Town contributed 24.77% for police, 26.43% for fire and 10.88% for other employees. The contribution requirement for the fiscal year 2020 was \$863,733, which was paid in full.

Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions – At December 31, 2020 the Town reported a liability of \$11,596,772 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Town’s proportion of the net pension liability was based on a projection of the Town’s long-term share of contributions to the pension plan relative to the projected contributions of all participating towns and school districts, actuarially determined. At June 30, 2020, the Town’s proportion was .18130860% which was an increase of .00250599% from its proportion measured as of June 30, 2019.

For the year ended December 31, 2020, the Town recognized pension expense of \$1,672,207. At December 31, 2020 the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in proportion	\$ 78,130	\$ 310,456
Changes in assumptions	1,147,151	-
Net difference between projected and actual investment earnings on pension plan investments	717,273	-
Differences between expected and actual experience	313,169	124,516
Contributions subsequent to the measurement date	464,017	-
Total	\$ 2,719,740	\$ 434,972

The \$464,017 reported as deferred outflows of resources related to pensions results from the Town contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year Ending December 31,		
2021	\$	325,113
2022		428,417
2023		523,364
2024		543,857
2025		-
Thereafter		-
Totals	\$	1,820,751

Actuarial Assumptions – The collective total pension liability was based on the following assumptions:

Inflation:	2.0%	
Salary increases:	5.6% average, including inflation	
Wage inflation:	2.75% (2.25% for teachers)	
Investment rate of return:	6.75% net of pension plan investment expense, including inflation	

Mortality rates were based on the Pub-2010 Health Retiree Mortality Tables with credibility adjustments for each group (Police and Fire combined) and projected fully generational mortality improvements using Scale MP-2019.

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The actuarial assumptions used in the June 30, 2020, valuation were based on the results of the most recent actuarial experience study, which was for the period July 1, 2016 – June 30, 2019.

Long-term Rates of Return – The long-term expected rate of return on pension plan investment was selected from a best estimate range determined using the building block approach. Under this method, an expected future real return range is calculated separately for each asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rate of return net of investment expenses by the target asset allocation percentage and by adding expected inflation. Following is a table presenting target allocations and geometric real rates of return for each asset class:

Asset Class	Target Allocation	Weighted average long-term expected real rate of return <u>2020</u>
Large Cap Equities	22.50%	3.71%
Small/Mid Cap Equities	7.50%	4.15%
Total domestic equity	30.00%	
Int'l Equities (unhedged)	13.00%	3.96%
Emerging Int'l Equities	7.00%	6.20%
Total international equity	20.00%	
Core Bonds	9.00%	0.42%
Global Multi-Sector Fixed Income	10.00%	1.66%
Absolute Return Fixed Income	6.00%	0.92%
Total fixed income	25.00%	
Private equity	10.00%	7.71%
Private debt	5.00%	4.81%
Total alternative investments	15.00%	
Real estate	10.00%	2.95%
Total	100.00%	

Discount Rate – The discount rate used to measure the collective total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. For purposes of the projection, member contributions and employer service cost contributions are projected based on the expected payroll of current members only. Employer contributions are determined based on the Pension Plan’s actuarial funding policy as required by RSA 100-A:16. Based on those assumptions, the Pension Plan’s fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term expected rate of return on Pension Plan investment was applied to all periods of projected benefit payments to determine the collective total pension liability.

Sensitivity of the Town’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following table presents the Town’s proportionate share of the net pension liability calculated using the discount rate of 6.75% as well as what the Town’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (5.75%) or 1-percentage point higher (7.75%) than the current rate:

Actuarial Valuation Date	1% Decrease 5.75%	Current Single Rate Assumption 6.75%	1% Increase 7.75%
June 30, 2020	\$ 15,013,100	\$ 11,596,772	\$ 8,805,180

Pension Plan Fiduciary Net Position – Detailed information about the pension plan’s fiduciary net position is available in the separately issued New Hampshire Retirement System Cost-Sharing Multiple Employer Defined Benefit Pension Plan financial report.

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NOTE 15 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

15-A New Hampshire Retirement System (NHRS)

Plan Description – The New Hampshire Retirement System (NHRS or the System) is a public employee retirement system which administers a cost-sharing multiple-employer other postemployment benefit (OPEB) plan. For additional system information, please refer to the 2019 Comprehensive Annual Financial Report, which can be found on the system’s website at www.nhrs.org.

Benefits Provided - Benefit amounts and eligibility requirements for the OPEB Plan are set by State law (RSA 100-A:52, RSA 100-A:52-a and RSA 100-A:52-b), and members are designated in statute by type. The four membership types are Group II, Police Officers and Firefighters; Group I, Teachers; Group I, Political Subdivision Employees; and Group I, State Employees. The OPEB Plan provides a medical insurance subsidy to qualified retired members. The medical insurance subsidy is a payment made by NHRS to the former employer or its insurance administrator toward the cost of health insurance for a qualified retiree, his/her qualified spouse, and his/her certified dependent children with a disability who are living in the household and being cared for by the retiree. If the health insurance premium amount is less than the medical subsidy amount, then only the health insurance premium amount will be paid. If the health insurance premium amount exceeds the medical subsidy amount, then the retiree or other qualified person is responsible for paying any portion that the employer does not pay.

Group I benefits are based on creditable service, age, and retirement date. Group II benefits are based on hire date, age, and creditable service. The OPEB plan is closed to new entrants.

Maximum medical subsidy rates paid during fiscal year 2020 were as follows:

For qualified retirees not eligible for Medicare, the amounts were \$375.56 for a single-person plan and \$751.12 for a two-person plan.

For those qualified retirees eligible for Medicare, the amounts were \$236.84 for a single-person plan and \$473.68 for a two-person plan.

Contributions – The OPEB Plan is funded by allocating to the 401(h) subtrust the lesser of: 25% of all employer contributions made in accordance with RSA 100-A:16 or the percentage of employer contributions determined by the actuary to be the minimum rate necessary to maintain the benefits provided under RSA 100-A:53-b, RSA 100-A:53-c, and RSA 100-A:53-d. For fiscal year 2018, the minimum rates determined by the actuary to maintain benefits were the lesser of the two options and were used to determine the employer contributions due to the 401(h) subtrust. The State Legislature has the authority to establish, amend and discontinue the contribution requirements of the OPEB Plan. Administrative costs are allocated to the OPEB Plan based on fund balances. For fiscal year 2020, the Town contributed 3.66% for police and fire, and 0.29% for other employees. The contribution requirement for the fiscal year 2020 was \$82,481, which was paid in full.

OPEB Liabilities, OPEB Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to OPEB – At December 31, 2020, the Town reported a liability of \$711,513 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The Town’s proportion of the net OPEB liability was based on a projection of the Town’s long-term share of contributions to the OPEB plan relative to the projected contributions of all participating towns and school districts, actuarially determined. At June 30, 2020, the Town’s proportion was .16255395% which was a decrease of .01301597% from its proportion measured as of June 30, 2019.

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For the year ended December 31, 2020, the Town recognized OPEB expense of \$12,917. At December 31, 2020, the Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in proportion	\$ -	\$ 7,103
Net difference between projected and actual investment earnings on OPEB plan investments	2,662	-
Changes in assumptions	4,575	-
Differences between expected and actual experience	-	2,062
Contributions subsequent to the measurement date	45,327	-
Total	\$ 52,564	\$ 9,165

The \$45,327 reported as deferred outflows of resources related to OPEB results from the Town contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended December 31, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Fiscal Year Ending December 31,	
2021	\$ (4,388)
2022	788
2023	939
2024	733
2025	-
Thereafter	-
Totals	\$ (1,928)

Actuarial Assumptions – The collective total OPEB liability was based on the following actuarial assumptions:

Inflation:	2.0%
Salary increases:	5.6 % average, including inflation
Wage inflation:	2.75 % (2.25%) for teachers
Investment rate of return:	6.75 % net of OPEB plan investment expense, including inflation for determining solvency contributions

Mortality rates were based on the Pub-2010 Health Retiree Mortality Tables with credibility adjustments for each group (Police and Fire combined) and projected fully generational mortality improvements using Scale MP-2019.

The actuarial assumptions used in the June 30, 2019, valuation were based on the results of the most recent actuarial experience study, which was for the period July 1, 2016 – June 30, 2019.

Long-term Rates of Return – The long-term expected rate of return on OPEB plan investment was selected from a best estimate range determined using the building block approach. Under this method, an expected future real return range is calculated separately for each asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rate of return net of investment expenses by the target asset allocation percentage and by adding expected inflation.

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Following is a table presenting target allocations and geometric real rates of return for each asset class:

Asset Class	Target Allocation	Weighted average long-term expected real rate of return 2020
Large Cap Equities	22.50%	3.71%
Small/Mid Cap Equities	7.50%	4.15%
Total domestic equity	30.00%	
Int'l Equities (unhedged)	13.00%	3.96%
Emerging Int'l Equities	7.00%	6.20%
Total international equity	20.00%	
Core Bonds	9.00%	0.42%
Global Multi-Sector Fixed Income	10.00%	1.66%
Absolute Return Fixed Income	6.00%	0.92%
Total fixed income	25.00%	
Private equity	10.00%	7.71%
Private debt	5.00%	4.81%
Total alternative investments	15.00%	
Real estate	10.00%	2.95%
Total	100.00%	

Discount Rate – The discount rate used to measure the total OPEB liability as of June 30, 2020, was 6.75%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made under the current statutes RSA 100-A:16 and 100-A:53. Based on those assumptions, the OPEB Plan’s fiduciary net position was projected to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB Plan investments was applied to all periods of projected benefit payments to determine the collective total OPEB liability.

Sensitivity of the Town’s Proportionate Share of the OPEB Liability to Changes in the Discount Rate – The following table presents the Town’s proportionate share of the OPEB liability calculated using the discount rate of 6.75% as well as what the Town’s proportionate share of the OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (5.75%) or 1-percentage point higher (7.75%) than the current rate:

Actuarial Valuation Date	1% Decrease 5.75%	Current Single Rate Assumption 6.75%	1% Increase 7.75%
June 30, 2020	\$ 772,629	\$ 711,513	\$ 658,453

Sensitivity of the Town’s Proportionate Share of the OPEB Liability to Changes in the Healthcare Cost Trend Assumption – GASB No. 75 requires the sensitivity of the OPEB liability to the healthcare cost trend assumption. Since the medical subsidy benefits are fixed stipends, there is no sensitivity to changes in the healthcare cost trend assumption.

OPEB Plan Fiduciary Net Position – Detailed information about the OPEB plan’s fiduciary net position is available in the separately issued New Hampshire Retirement System Cost-Sharing Multiple Employer Defined Benefit OPEB Plan financial report.

15-B Town of Conway Retiree Health Benefit Program

Plan Description – GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, requires governments to account for other postemployment benefits (OPEB) on an accrual basis, rather than on a pay-as-you-go basis. The effect is the recognition of an actuarially determined expense on the Statement of Activities when a future retiree earns their postemployment benefits, rather than when they use their postemployment benefit. The postemployment benefit liability is recognized on the Statement of Net Position over time.

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Benefits Provided – The Town provides postemployment healthcare benefits for certain eligible retirees. The Town provides medical benefits to its eligible retirees.

Employees Covered by Benefit Terms – At December 31, 2020, the following employees were covered by the benefit terms:

Total OPEB Liability – The Town’s total OPEB liability of \$164,865 was measured as of December 31, 2020, and was determined by an actuarial valuation of that date.

Actuarial Assumptions and Other Inputs – The total OPEB liability of \$164,865 in the December 31, 2020, actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Discount Rate:	4.31%
Healthcare Cost Trend Rates:	
Current Year Trend	4.90%
Second Year Trend	4.80%
Decrement	0.10%
Ultimate Trend	4.30%
Year Ultimate Trend is Reached	2030
Salary Increases:	2.00%

The discount rate was based on the index provided by *Bond Buyer 20-Bond General Obligation Index* based on the 20-year AA municipal bond rate as of July 1, 2016.

Mortality rates were based on the PUB-2010 Public Retirement Plans Mortality Tables, with mortality improvement projected for 10 years.

Changes in the Total OPEB Liability

	December 31,	
	2019	2020
OPEB liability beginning of year	\$ 253,836	\$ 175,027
Changes for the year:		
Service cost	498	498
Interest	9,181	6,336
Assumption changes	-	(10,998)
Difference between actual and expected experience	(88,488)	(5,998)
OPEB liability end of year	\$ 175,027	\$ 164,865

Sensitivity of the Town’s OPEB Liability to Changes in the Discount Rate – The December 31, 2020, actuarial valuation was prepared using a discount rate of 4.31%. If the discount rate were 1% higher than what was used the OPEB liability would decrease to \$151,273. If the discount rate were 1% lower than what was used the OPEB liability would increase to \$181,015.

	Discount Rate		
	1% Decrease	Baseline 4.31%	1% Increase
Total OPEB Liability	\$ 181,015	\$ 164,865	\$ 151,273

Sensitivity of the Town’s OPEB Liability to Changes in the Healthcare Cost Trend Rates – The December 31, 2020, actuarial valuation was prepared using an initial trend rate of 4.90%. If the trend rate were 1% higher than what was used the OPEB liability would increase to \$190,213.

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If the trend rate were 1% lower than what was used the OPEB liability would decrease to \$143,931.

	Healthcare Cost Trend Rates		
	1% Decrease	Baseline 4.90%	1% Increase
Total OPEB Liability	\$ 143,931	\$ 164,865	\$ 190,213

OPEB Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to OPEB – For the year ended December 31, 2020, the Town recognized OPEB benefit of \$10,162.

NOTE 16 – COMMITMENTS/ENCUMBRANCES

The Town has active construction projects as of December 31, 2020. At year-end, the Town’s commitments with contractors for specific projects are as follows:

	Spent to Date	Remaining Commitment
Capital Project Program		
NH Route 16 Road Reconstruction	\$ 131,371	\$ 3,122,711

The outstanding encumbrances are amounts needed to pay any commitments related to purchase orders and contracts that remain unperformed at December 31, 2020 and are as follows:

General fund:	
Capital outlay	\$ 827,900

NOTE 17 – GOVERNMENTAL ACTIVITIES AND FIDUCIARY FUNDS NET POSITION

Net position reported on the government wide and fiduciary funds Statements of Net Position at December 31, 2020 include the following:

	Governmental Activities	Fiduciary Funds
Net investment in capital assets:		
Net book value, all governmental activities capital assets	\$ 29,856,556	\$ -
Less:		
Capital lease payable	(60,998)	-
Total net investment in capital assets	29,795,558	-
Restricted net position:		
Public library	356,931	-
Hubbard and Davis Public Forest Reserve	15,054	-
Grants	6,015	-
Drug forfeiture	2,485	-
Nonexpendable permanent funds	75,209	-
Expendable permanent funds	132,532	-
Private purpose trust funds	-	175,271
School District trust funds	-	6,298,267
Escrows	-	1,131,936
Total restricted net position	588,226	7,605,474
Unrestricted (deficit)	(5,530,152)	-
Total net position	\$ 24,853,632	\$ 7,605,474

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NOTE 18 – GOVERNMENTAL FUND BALANCES

Governmental fund balances reported on the fund financial statements at December 31, 2020 include the following:

	General Fund	Nonmajor Funds	Total Governmental Funds
Nonspendable:			
Tax deeded property	\$ 148,547	\$ -	\$ 148,547
Permanent fund - principal balance	-	75,209	75,209
Total nonspendable fund balance	<u>148,547</u>	<u>75,209</u>	<u>223,756</u>
Restricted:			
Public library	-	356,931	356,931
Hubbard and Davis Public Forest Reserve	-	15,054	15,054
Grants	-	6,015	6,015
Drug forfeiture	-	2,485	2,485
Permanent fund - income balance	-	132,532	132,532
Total restricted fund balance	<u>-</u>	<u>513,017</u>	<u>513,017</u>
Committed:			
Expendable trust	3,381,803	-	3,381,803
Non-lapsing appropriations	827,900	-	827,900
Conservation commission	-	388,983	388,983
Police commercial detail	-	51,073	51,073
Recycling special waste	-	125,946	125,946
Recreation	-	54,786	54,786
Total committed fund balance	<u>4,209,703</u>	<u>620,788</u>	<u>4,830,491</u>
Unassigned	<u>2,753,551</u>	<u>-</u>	<u>2,753,551</u>
Total governmental fund balances	<u>\$ 7,111,801</u>	<u>\$ 1,209,014</u>	<u>\$ 8,320,815</u>

NOTE 19 – RISK MANAGEMENT

The Town is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors or omissions; injuries to employees; or natural disasters. During fiscal year 2020, the Town was a member of the New Hampshire Public Risk Management Exchange (Primex³) Workers' Compensation and Property/Liability Programs.

The New Hampshire Public Risk Management Exchange (Primex³) Workers' Compensation and Property/Liability Programs are pooled risk management programs under RSAs 5-B and 281-A. Coverage was provided from January 1, 2020, to December 31, 2020, by Primex³, which retained \$1,000,000 of each workers' compensation loss, \$500,000 of each liability loss, and \$200,000 of each property loss. The Board has decided to self-insure the aggregate exposure and has allocated funds based on actuarial analysis for that purpose. The workers' compensation section of the self-insurance membership agreement permits Primex³ to make additional assessments to members should there be a deficiency in contributions for any member year, not to exceed the member's annual contribution. GASB Statement No. 10 requires members of a pool with a sharing risk to disclose if such an assessment is probable, and a reasonable estimate of the amount, if any. In 2020 the Town paid \$124,845 and \$124,420 respectively, to Primex for property, liability, and worker's compensation. At this time, Primex³ foresees no likelihood of any additional assessment for this or any prior year.

The Town continues to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE 20 – CONTINGENT LIABILITIES

The Town participates in various federal grant programs, the principal of which are subject to program compliance audits pursuant to the Single Audit Act as amended. Accordingly, the government's compliance with applicable grant requirements will be established at a future date. The amount of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the government anticipates such amounts, if any, will be immaterial.

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NOTE 21 – COVID-19

As a result of the spread of COVID-19, Coronavirus, economic uncertainties continue. The duration of these uncertainties and the ultimate financial effects cannot be reasonably estimated at this time.

On March 27, 2020, the United States Federal Government established the Coronavirus Aid, Relief and Economic Security (CARES) Act in response to the economic downfall caused by the COVID-19 pandemic. This Act requires that the payment from these funds be used only to cover expenses that; are necessary expenditures incurred due to the public health emergency with respect to COVID-19; were not accounted for in the budget approved for 2020; and were incurred during the period that begins on March 1, 2020, and ends on December 31, 2020. The Town was awarded a portion of this federal funding totaling \$327,156. In addition to funding from the CARES Act, there are several other federal and state grants available.

The full extent of the financial impact cannot be determined as of the date of the financial statements.

NOTE 22 – TAX ABATEMENTS

Governmental Accounting Standards Board Statement No. 77, *Tax Abatement Disclosures*, defines tax abatements as a reduction in tax revenues that results from an agreement between one or more governments and an individual or entity in which (a) one or more governments promise to forgo tax revenues to which they are otherwise entitled and (b) the individual or entity promises to take a specific action after the agreement has been entered into that contributes to economic development or otherwise benefits the governments or the citizens of those governments. No such tax abatement programs requiring disclosure were identified.

NOTE 23 – SUBSEQUENT EVENTS

Subsequent events are events or transactions that occur after the balance sheet date, but before the financial statements are issued. Recognized subsequent events are events or transactions that provided additional evidence about conditions that existed at the balance sheet date, including the estimates inherent in the process of preparing the financial statements. Nonrecognized subsequent events are events that provide evidence about conditions that did not exist at the balance sheet date, but arose after the date. Management has evaluated subsequent events through October 6, 2021, the date the December 31, 2020 financial statements were available to be issued, and nothing occurred that requires recognition or disclosure.

REQUIRED SUPPLEMENTARY INFORMATION

EXHIBIT F
TOWN OF CONWAY, NEW HAMPSHIRE
Schedule of the Town's Proportionate Share of Net Pension Liability
New Hampshire Retirement System Cost Sharing Multiple Employer Defined Benefit Plan
For the Fiscal Year Ended December 31, 2020

	December 31,							
	2013	2014	2015	2016	2017	2018	2019	2020
Town's proportion of the net pension liability	0.18902336%	0.19109216%	0.18348652%	0.18859997%	0.19406030%	0.18896261%	0.18058001%	0.18130860%
Town's proportionate share of the net pension liability	\$ 8,135,158	\$ 7,172,808	\$ 7,268,868	\$ 10,028,983	\$ 9,543,872	\$ 9,098,932	\$ 8,688,886	\$ 11,596,772
Town's covered payroll	\$ 4,052,959	\$ 4,104,417	\$ 4,196,038	\$ 4,542,885	\$ 4,877,667	\$ 4,939,121	\$ 4,872,510	\$ 5,092,052
Town's proportionate share of the net pension liability as a percentage of its covered payroll	200.72%	174.76%	173.23%	220.76%	195.66%	184.22%	178.32%	227.74%
Plan fiduciary net position as a percentage of the total pension liability	59.81%	66.32%	65.47%	58.30%	62.66%	64.73%	65.59%	58.72%

The Note to the Required Supplementary Information – Pension Liability is an integral part of this schedule.

EXHIBIT G
TOWN OF CONWAY, NEW HAMPSHIRE
Schedule of Town Contributions - Pensions
New Hampshire Retirement System Cost Sharing Multiple Employer Defined Benefit Plan
For the Fiscal Year Ended December 31, 2020

	December 31,							
	2013	2014	2015	2016	2017	2018	2019	2020
Contractually required contribution	\$ 470,013	\$ 619,947	\$ 615,576	\$ 675,337	\$ 710,927	\$ 798,665	\$ 785,851	\$ 805,449
Contributions in relation to the contractually required contributions	470,013	619,947	615,576	675,337	710,927	798,665	785,851	805,449
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Town's covered payroll	<u>\$ 4,052,959</u>	<u>\$ 4,104,417</u>	<u>\$ 4,196,038</u>	<u>\$ 4,542,885</u>	<u>\$ 4,877,667</u>	<u>\$ 4,939,121</u>	<u>\$ 4,872,510</u>	<u>\$ 5,092,052</u>
Contributions as a percentage of covered payroll	11.60%	15.10%	14.67%	14.87%	14.58%	16.17%	16.13%	15.82%

TOWN OF CONWAY, NEW HAMPSHIRE
NOTE TO THE REQUIRED SUPPLEMENTARY INFORMATION –
PENSION LIABILITY
FOR THE FISCAL YEAR ENDED
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***Schedule of the Town’s Proportionate Share of Net Pension Liability and
Schedule of Town Contributions - Pensions***

As required by GASB Statement No. 68, and as amended by GASB Statement No. 71, Exhibits F and G represent the actuarial determined costs associated with the Town’s pension plan at December 31, 2020. These schedules are presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, information is presented for those years for which information is available.

Methods and Assumptions Used to Determine Contribution Rates for Fiscal Year 2020:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage-of-Payroll, Closed
Remaining Amortization Period	20 years beginning July 1, 2019 (30 years beginning July 1, 2009)
Asset Valuation Method	5-year smooth market for funding purposes: 20% corridor
Price Inflation	2.5% per year
Wage Inflation	3.25% per year (3.00% for teachers) in the 2017 valuation
Salary Increases	5.6% Average, including inflation
Municipal Bond Rate	2.45% per year
Investment Rate of Return	7.25% per year, net of investment expenses, including inflation
Retirement Age	Experience-based table of rates that are specific to the type of eligibility condition. Based on the 2010-215 experience study.
Mortality	RP-2014 Healthy Annuitant and Employee generational mortality tables for males and females with credibility adjustments, adjusted for fully generational mortality improvements using Scale MP-2015, based on the 2010-2015 experience study.

Other Information:

Notes	The board has adopted new assumptions based on the 2015-2019 experience study effective for employer contributions in the 2022-23 biennium.
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EXHIBIT H
TOWN OF CONWAY, NEW HAMPSHIRE
Schedule of the Town's Proportionate Share of the Net Other Postemployment Benefit Plan Liability
New Hampshire Retirement System Cost Sharing Multiple Employer Defined Benefit Plan
For the Fiscal Year Ended December 31, 2020

	December 31,				
	2016	2017	2018	2019	2020
Town's proportion of the net OPEB liability	0.11888939%	0.12242095%	0.18390126%	0.17556992%	0.16255395%
Town's proportionate share of the net OPEB liability (asset)	\$ 575,550	\$ 559,750	\$ 841,984	\$ 769,718	\$ 711,513
Town's covered payroll	\$ 4,542,885	\$ 4,877,667	\$ 4,939,121	\$ 4,872,510	\$ 5,092,052
Town's proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll	12.67%	11.48%	17.05%	15.80%	13.97%
Plan fiduciary net position as a percentage of the total OPEB liability	5.21%	7.91%	7.53%	7.75%	7.74%

The Notes to the Required Supplementary Information – Other Postemployment Benefit Liability is an integral part of this schedule.

EXHIBIT I
TOWN OF CONWAY, NEW HAMPSHIRE
Schedule of Town Contributions - Other Postemployment Benefits
New Hampshire Retirement System Cost Sharing Multiple Employer Defined Benefit Plan
For the Fiscal Year Ended December 31, 2020

	December 31,				
	2016	2017	2018	2019	2020
Contractually required contribution	\$ 69,082	\$ 72,559	\$ 81,345	\$ 80,123	\$ 75,453
Contributions in relation to the contractually required contribution	69,082	72,559	81,345	80,123	75,453
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Town's covered payroll	\$ 4,542,885	\$ 4,877,667	\$ 4,939,121	\$ 4,872,510	\$ 5,092,052
Contributions as a percentage of covered payroll	1.52%	1.49%	1.65%	1.64%	1.48%

The Notes to the Required Supplementary Information – Other Postemployment Benefit Liability is an integral part of this schedule.

EXHIBIT J
TOWN OF CONWAY, NEW HAMPSHIRE
Schedule of Changes in the Town's Total Other Postemployment Benefits Liability and Related Ratios
Retiree Health Benefit Program
For the Fiscal Year Ended December 31, 2020

	December 31,		
	2018	2019	2020
OPEB liability, beginning of year	\$ 276,244	\$ 253,836	\$ 175,027
Changes for the year:			
Service cost	498	498	498
Interest	10,461	9,181	6,336
Assumption changes and difference between actual and expected experience	(33,367)	(88,488)	(16,996)
OPEB liability, end of year	<u>\$ 253,836</u>	<u>\$ 175,027</u>	<u>\$ 164,865</u>
Covered payroll	<u>\$ 4,902,196</u>	<u>\$ 5,373,559</u>	<u>\$ 5,616,172</u>
Total OPEB liability as a percentage of covered payroll	5.18%	3.26%	2.94%

The Notes to the Required Supplementary Information – Other Postemployment Benefit Liability is an integral part of this schedule.

TOWN OF CONWAY, NEW HAMPSHIRE
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION –
OTHER POSTEMPLOYMENT BENEFIT LIABILITY
FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2020

Schedule of the Town’s Proportionate Share of Net Other Postemployment Benefits Liability and Schedule of Town Contributions – Other Postemployment Benefits

As required by GASB Statement No. 75, Exhibits H and I represent the actuarial determined costs associated with the Town’s other postemployment benefits at December 31, 2020. These schedules are presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, information is presented for those years for which information is available.

The following assumptions were changed in the current year:

- Reduced the assumed rate of investment return from 7.25% to 6.75%
- Reduced the wage inflation from 3.25% to 2.75% (2.25% for teachers)
- Reduced price inflation from 2.5% to 2.0%
- Updated economic assumptions, including merit and longevity salary increases, disability rates, retirement rates, and mortality tables (specifically the new public pension plan mortality tables).

Methods and Assumptions:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage-of-Payroll, Closed
Remaining Amortization Period	Not applicable under statutory funding
Asset Valuation Method	5-year smooth market: 20% corridor
Price Inflation	2.5% per year
Wage Inflation	3.25% per year (3.00% for teachers) in the 2017 valuation
Salary Increases	5.6% Average, including inflation
Municipal Bond Rate	2.45% per year
Investment Rate of Return	7.25% per year, net of OPEB plan investment expense, including inflation for determining solvency contributions
Funding Discount Rate	3.25% per year
Retirement Age	Experience-based table of rates that are specific to the type of eligibility condition. Based on the 2010-2015 experience study.
Mortality	RP-2014 Healthy Annuitant and Employee generational mortality tables for males and females with credibility adjustments, adjusted for fully generational mortality improvements using Scale MP-2015, based on the 2010-2015 experience study.

Schedule of Changes in Town’s Total Other Postemployment Benefits Liability and Related Ratios

As required by GASB Statement No. 75, Exhibit J represents the actuarial determined costs associated with the Town’s other postemployment benefits at December 31, 2020. The schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, information is presented for those years for which information is available.

COMBINING AND INDIVIDUAL FUND SCHEDULES

SCHEDULE 1
TOWN OF CONWAY, NEW HAMPSHIRE
Major General Fund
Schedule of Estimated and Actual Revenues (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended December 31, 2020

	Estimated	Actual	Variance Positive (Negative)
Taxes:			
Property	\$ 7,970,134	\$ 8,132,945	\$ 162,811
Land use change	85,000	91,908	6,908
Yield	32,000	34,918	2,918
Excavation	3,000	3,044	44
Payment in lieu of taxes	17,087	16,098	(989)
Interest and penalties on taxes	150,000	219,136	69,136
Total from taxes	<u>8,257,221</u>	<u>8,498,049</u>	<u>240,828</u>
Licenses, permits, and fees:			
Business licenses, permits, and fees	36,500	37,098	598
Motor vehicle permit fees	2,044,778	2,243,699	198,921
Building permits	70,000	64,712	(5,288)
Other	187,400	225,700	38,300
Total from licenses, permits, and fees	<u>2,338,678</u>	<u>2,571,209</u>	<u>232,531</u>
Intergovernmental:			
State:			
Shared revenue	189,490	189,490	-
Meals and rooms distribution	516,907	516,907	-
Highway block grant	255,584	255,555	(29)
Other	50,708	12,272	(38,436)
Federal:			
CARES and COVID grants	327,156	327,156	-
Other governments	201,322	234,466	33,144
Total from intergovernmental	<u>1,541,167</u>	<u>1,535,846</u>	<u>(5,321)</u>
Charges for services:			
Income from departments	369,000	397,058	28,058
Miscellaneous:			
Sale of municipal property	1,200	1,137	(63)
Interest on investments	5,000	8,122	3,122
Other	53,595	89,334	35,739
Total from miscellaneous	<u>59,795</u>	<u>98,593</u>	<u>38,798</u>
Other financing sources:			
Transfers in	-	50,399	50,399
Total revenues and other financing sources	<u>12,565,861</u>	<u>\$ 13,151,154</u>	<u>\$ 585,293</u>
Amounts voted from fund balance	<u>910,000</u>		
Total revenues, other financing sources, and amounts voted from fund balance	<u>\$ 13,475,861</u>		

SCHEDULE 2
TOWN OF CONWAY, NEW HAMPSHIRE
Major General Fund
Schedule of Appropriations, Expenditures, and Encumbrances (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended December 31, 2020

	Appropriations	Expenditures	Encumbered to Subsequent Year	Variance Positive (Negative)
Current:				
General government:				
Executive	\$ 267,361	\$ 251,608	\$ -	\$ 15,753
Election and registration	139,804	132,792	-	7,012
Financial administration	312,292	313,391	-	(1,099)
Revaluation of property	180,827	143,412	-	37,415
Legal	80,000	53,398	-	26,602
Personnel administration	1,097,247	1,053,258	-	43,989
Planning and zoning	218,975	217,530	-	1,445
General government buildings	132,285	98,378	-	33,907
Insurance, not otherwise allocated	54,971	54,971	-	-
Total general government	<u>2,483,762</u>	<u>2,318,738</u>	<u>-</u>	<u>165,024</u>
Public safety:				
Police	4,095,760	4,056,109	-	39,651
Ambulance	245,182	258,308	-	(13,126)
Fire	734,108	702,235	-	31,873
Building inspection	124,619	115,149	-	9,470
Emergency management	10,300	9,900	-	400
Total public safety	<u>5,209,969</u>	<u>5,141,701</u>	<u>-</u>	<u>68,268</u>
Highways and streets:				
Administration	75,587	76,329	-	(742)
Highways and streets	2,229,533	1,876,664	-	352,869
Street lighting	44,000	37,937	-	6,063
Total highways and streets	<u>2,349,120</u>	<u>1,990,930</u>	<u>-</u>	<u>358,190</u>
Sanitation:				
Administration	75,587	76,252	-	(665)
Solid waste disposal	859,281	865,883	-	(6,602)
Total sanitation	<u>934,868</u>	<u>942,135</u>	<u>-</u>	<u>(7,267)</u>
Health:				
Administration	2,750	2,750	-	-
Health agencies	36,765	36,577	-	188
Total health	<u>39,515</u>	<u>39,327</u>	<u>-</u>	<u>188</u>
Welfare:				
Administration and direct assistance	103,787	89,881	-	13,906
Vendor payments and other	116,295	116,295	-	-
Total welfare	<u>220,082</u>	<u>206,176</u>	<u>-</u>	<u>13,906</u>
Culture and recreation:				
Parks and recreation	475,378	456,585	-	18,793
Library	528,450	505,470	-	22,980
Patriotic purposes	27,800	8,475	-	19,325
Other	65,000	65,000	-	-
Total culture and recreation	<u>1,096,628</u>	<u>1,035,530</u>	<u>-</u>	<u>61,098</u>
Conservation	17,600	15,050	-	2,550
Debt service:				
Interest on tax anticipation notes	4,317	4,317	-	-

(Continued)

SCHEDULE 2 (Continued)
TOWN OF CONWAY, NEW HAMPSHIRE
Major General Fund
Schedule of Appropriations, Expenditures, and Encumbrances (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended December 31, 2020

	<u>Appropriations</u>	<u>Expenditures</u>	<u>Encumbered to Subsequent Year</u>	<u>Variance Positive (Negative)</u>
Capital outlay	850,000	22,172	827,900	(72)
Other financing uses:				
Transfers out	270,000	270,000	-	-
Total appropriations, expenditures, other financing uses, and encumbrances	<u>\$ 13,475,861</u>	<u>\$ 11,986,076</u>	<u>\$ 827,900</u>	<u>\$ 661,885</u>

SCHEDULE 3
TOWN OF CONWAY, NEW HAMPSHIRE
Major General Fund
Schedule of Changes in Unassigned Fund Balance
For the Fiscal Year Ended December 31, 2020

Unassigned fund balance, beginning (Non-GAAP Budgetary Basis)		\$ 2,730,664
Changes:		
Amounts voted from fund balance		(910,000)
2020 Budget summary:		
Revenue surplus (Schedule 1)	\$585,293	
Unexpended balance of appropriations (Schedule 2)	<u>661,885</u>	
2020 Budget surplus		1,247,178
Increase in nonspendable fund balance		<u>(57,578)</u>
Unassigned fund balance, ending (Non-GAAP Budgetary Basis)		3,010,264
<i>Reconciliation on Non-GAAP Budgetary Basis to GAAP Basis</i>		
To record deferred property taxes not collected within 60 days of the fiscal year-end, not recognized on a budgetary basis		(348,713)
Elimination of the allowance for uncollectible taxes		<u>92,000</u>
Unassigned fund balance, ending, GAAP basis (Exhibit C-1)		<u><u>\$ 2,753,551</u></u>

SCHEDULE 4
TOWN OF CONWAY, NEW HAMPSHIRE
Nonmajor Governmental Funds
Combining Balance Sheet
December 31, 2020

Special Revenue Funds

	Public Library	Hubbard and Davis Public Forest Reserve	Conservation Commission	Grants	Police Commercial Detail	Recycling Special Waste	Recreation	Drug Forfeiture	Permanent Fund	Total
ASSETS										
Cash and cash equivalents	\$ 106,916	\$ -	\$ -	\$ 35,774	\$ 74,165	\$ 125,946	\$ 96,823	\$ 2,485	\$ 207,741	\$ 649,850
Investments	250,015	15,054	388,983	-	-	-	-	-	-	654,052
Intergovernmental receivable	-	-	-	49,581	-	-	-	-	-	49,581
Interfund receivable	-	-	-	500	-	-	-	-	-	500
Total assets	\$ 356,931	\$ 15,054	\$ 388,983	\$ 85,855	\$ 74,165	\$ 125,946	\$ 96,823	\$ 2,485	\$ 207,741	\$ 1,353,983
LIABILITIES										
Accounts payable	\$ -	\$ -	\$ -	\$ 4,426	\$ -	\$ -	\$ 1,971	\$ -	\$ -	\$ 6,397
Interfund payable	-	-	-	58,444	23,092	-	40,066	-	-	121,602
Total liabilities	-	-	-	62,870	23,092	-	42,037	-	-	127,999
DEFERRED INFLOWS OF RESOURCES										
Unavailable revenue - grants and donations	-	-	-	16,970	-	-	-	-	-	16,970
FUND BALANCES										
Nonspendable	-	-	-	-	-	-	-	-	75,209	75,209
Restricted	356,931	15,054	-	6,015	-	-	-	2,485	132,532	513,017
Committed	-	-	388,983	-	51,073	125,946	54,786	-	-	620,788
Total fund balances	356,931	15,054	388,983	6,015	51,073	125,946	54,786	2,485	207,741	1,209,014
Total liabilities, deferred inflows of resources, and fund balances	\$ 356,931	\$ 15,054	\$ 388,983	\$ 85,855	\$ 74,165	\$ 125,946	\$ 96,823	\$ 2,485	\$ 207,741	\$ 1,353,983

SCHEDULE 5
TOWN OF CONWAY, NEW HAMPSHIRE
Nonmajor Governmental Funds
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances
For the Fiscal Year Ended December 31, 2020

	Special Revenue Funds									
	Public Library	Hubbard and Davis Public Forest Reserve	Conservation Commission	Grants	Police Commercial Detail	Recycling Special Waste	Recreation	Drug Forfeiture	Permanent Fund	Total
REVENUES										
Taxes	\$ -	\$ -	\$ 91,728	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 91,728
Intergovernmental	-	-	-	228,162	-	-	-	-	-	228,162
Charges for services	-	-	-	-	25,871	196,999	68,182	-	-	291,052
Miscellaneous	42,378	92	1,892	25,988	6	1	9	1,925	1,134	73,425
Total revenues	42,378	92	93,620	254,150	25,877	197,000	68,191	1,925	1,134	684,367
EXPENDITURES										
Current:										
General government	-	-	-	-	-	-	-	-	3,240	3,240
Public safety	-	-	-	253,991	24,788	-	-	7,820	-	286,599
Sanitation	-	-	-	-	-	120,463	-	-	-	120,463
Culture and recreation	28,265	-	-	156	-	-	24,770	-	-	53,191
Conservation	-	-	32,000	-	-	-	-	-	-	32,000
Total expenditures	28,265	-	32,000	254,147	24,788	120,463	24,770	7,820	3,240	495,493
Excess (deficiency) of revenues over (under) expenditures	14,113	92	61,620	3	1,089	76,537	43,421	(5,895)	(2,106)	188,874
OTHER FINANCING USES										
Transfers out	(16,399)	-	-	-	-	-	(34,000)	-	-	(50,399)
Net change in fund balances	(2,286)	92	61,620	3	1,089	76,537	9,421	(5,895)	(2,106)	138,475
Fund balances, beginning	359,217	14,962	327,363	6,012	49,984	49,409	45,365	8,380	209,847	1,070,539
Fund balances, ending	\$ 356,931	\$ 15,054	\$ 388,983	\$ 6,015	\$ 51,073	\$ 125,946	\$ 54,786	\$ 2,485	\$ 207,741	\$ 1,209,014

SCHEDULE 6
TOWN OF CONWAY, NEW HAMPSHIRE
Custodial Funds
Combining Schedule of Fiduciary Net Position
December 31, 2020

	Custodial Funds			Total
	Taxes	Trust Funds	Escrows	
ASSETS				
Cash and cash equivalents	\$ 5,920,261	\$ 6,298,267	\$ 889,805	\$ 13,108,333
Investments	382	-	242,131	242,513
Taxes receivable	1,446,577	-	-	1,446,577
Total assets	<u>7,367,220</u>	<u>6,298,267</u>	<u>1,131,936</u>	<u>14,797,423</u>
LIABILITIES				
Intergovernmental payable:				
School	<u>7,367,220</u>	<u>-</u>	<u>-</u>	<u>7,367,220</u>
NET POSITION				
Restricted	<u>\$ -</u>	<u>\$ 6,298,267</u>	<u>\$ 1,131,936</u>	<u>\$ 7,430,203</u>

SCHEDULE 7
TOWN OF CONWAY, NEW HAMPSHIRE
Custodial Funds
Combining Schedule of Changes in Fiduciary Net Position
For the Fiscal Year Ended December 31, 2020

	Custodial Funds			Total
	Taxes	Trust Funds	Escrows	
ADDITIONS				
Contributions	\$ -	\$ 1,267,779	\$ 138,892	\$ 1,406,671
Investment earnings	-	31,504	1,627	33,131
Tax collections for other governments	23,446,303	-	-	23,446,303
Total additions	<u>23,446,303</u>	<u>1,299,283</u>	<u>140,519</u>	<u>24,886,105</u>
DEDUCTIONS				
Administrative expenses	-	958,068	-	958,068
Payments of taxes to other governments	23,446,303	-	-	23,446,303
Payments for escrow purposes	-	-	313,027	313,027
Total deductions	<u>23,446,303</u>	<u>958,068</u>	<u>313,027</u>	<u>24,717,398</u>
Change in net position	-	341,215	(172,508)	168,707
Net position, beginning	-	5,957,052	1,304,444	7,261,496
Net position, ending	<u>\$ -</u>	<u>\$ 6,298,267</u>	<u>\$ 1,131,936</u>	<u>\$ 7,430,203</u>

***INDEPENDENT AUDITOR'S REPORTS AND
SINGLE AUDIT ACT SCHEDULES***



PLODZIK & SANDERSON

Professional Association/Accountants & Auditors

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Members of the Board of Selectmen and Town Manager
Town of Conway
Conway, New Hampshire

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and aggregate remaining fund information of the Town of Conway, as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the Town of Conway's basic financial statements, and have issued our report thereon dated October 6, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town of Conway's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Conway's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Conway's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Conway's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Sheryl A. Pratt, CPA

October 6, 2021

PLODZIK & SANDERSON
Professional Association



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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Members of the Board of Selectmen and Town Manager
Town of Conway
Conway, New Hampshire

Report on Compliance for Each Major Federal Program

We have audited the Town of Conway's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Town of Conway's major federal programs for the year ended December 31, 2020. The Town of Conway's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Town of Conway's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Town of Conway's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Town of Conway's compliance.

Opinion on Each Major Federal Program

In our opinion, the Town of Conway complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2020.

Report on Internal Control Over Compliance

Management of the Town of Conway is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Town of Conway's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town of Conway's internal control over compliance.

Town of Conway

Independent Auditor's Report on Compliance for Each Major Program and Report on Internal Control Over Compliance Required by the Uniform Guidance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Sheryl A. Pratt, CPA

October 6, 2021

PLODZIK & SANDERSON
Professional Association

SCHEDULE I
TOWN OF CONWAY, NEW HAMPSHIRE
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2020

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:
Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? yes X no
- Significant deficiency(ies) identified? yes X none reported

Noncompliance material to financial statements noted? yes X no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? yes X no
- Significant deficiency(ies) identified? yes X none reported

Type of auditor's report issued on compliance for major federal programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? yes X no

Identification of major federal programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
20.205	Highway Planning and Construction
97.067	Homeland Security Grant Program

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee? yes X no

SECTION II - FINANCIAL STATEMENT FINDINGS

NONE

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

NONE

SCHEDULE II
TOWN OF CONWAY, NEW HAMPSHIRE
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended December 31, 2020

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Grantor's Number	Provided to Subrecipients	Total Federal Expenditures
U.S. DEPARTMENT OF JUSTICE				
Passed Through the State of New Hampshire Department of Justice				
Edward Byrne Memorial Justice Assistance Grant Program	16.738	N/A	\$ -	\$ 60,000
U.S. DEPARTMENT OF TRANSPORTATION				
Passed Through the State of New Hampshire Department of Transportation				
Highway Planning and Construction	20.205	40018	-	194,424
Passed Through the State of New Hampshire Department of Safety				
State and Community Highway Safety	20.600	#20-040	-	4,747
U.S. DEPARTMENT OF TREASURY				
Passed Through the State of New Hampshire Governor's Office for Emergency Relief and Recovery (GOFERR)				
COVID-19 - Coronavirus Relief Fund:				
First Responder Stipend	21.019	N/A	-	57,171
Municipal Aid	21.019	N/A	-	240,897
<i>PROGRAM TOTAL</i>			-	298,068
U.S. ELECTION ASSISTANCE COMMISSION				
Passed Through the New Hampshire Secretary of State's Office				
COVID-19 - HAVA Election Security Grants	90.404	DC20101CARES	-	29,088
U.S. DEPARTMENT OF HOMELAND SECURITY				
Passed Through the New Hampshire Department of Safety				
Homeland Security Grant Program	97.067	EWM-208-SS-00055	-	165,340
DIRECT FUNDING				
U.S. DEPARTMENT OF JUSTICE				
Bullet Proof Vest Partnership Program	16.607	N/A	-	2,822
Equitable Sharing Program	16.922	N/A	-	6,293
Total Expenditures of Federal Awards			\$ -	\$ 760,782

The accompanying notes are an integral part of this schedule.

TOWN OF CONWAY, NEW HAMPSHIRE
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2020

Note 1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal grant activity of the Town of Conway under programs of the federal government for the year ended December 31, 2020. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Town of Conway, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Town of Conway.

Note 2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

Note 3. Indirect Cost Rate

The Town of Conway has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.